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AMTRAK DISCONTINUANCE CRITERIA

*United States. Congress. House. Committee
on Interstate and Foreign Commerce.
Subcommittee on Transportation and
Commerce.* **HEARINGS**
MAY 2 1976
COPY

BEFORE THE
SUBCOMMITTEE ON
TRANSPORTATION AND COMMERCE
OF THE
COMMITTEE ON
INTERSTATE AND FOREIGN COMMERCE
HOUSE OF REPRESENTATIVES
NINETY-FOURTH CONGRESS
SECOND SESSION
ON
AMTRAK'S CRITERIA AND PROCEDURES FOR MAKING ROUTE
AND SERVICE DECISIONS

FEBRUARY 3, 4, AND 6, 1976

Serial No. 94-62

Printed for the use of the
Committee on Interstate and Foreign Commerce



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CONTENTS

	Page
Hearings held on—	
February 3, 1976	1
February 4, 1976	55
February 6, 1976	109
Statement of—	
Adkins, John E., executive vice president, Greyhound Lines, Inc., on behalf of the National Association of Motor Bus Owners.....	118, 241
Barnum, Hon. John W., Deputy Secretary, Department of Transportation.....	6
Beaty, Orrin, president, National Association of Railroad Passengers.....	270
Brown, Bryan, Jr., Assistant Director, Bureau of Accounts, Interstate Commerce Commission.....	55
Capon, Ross, assistant director, National Association of Railroad Passengers.....	270
Currey, Fred, president, Continental Trailways, Inc., on behalf of the National Association of Motor Bus Owners.....	118, 141
Hall, Asaph H., Administrator, Federal Railroad Administration, Department of Transportation.....	6
Head, Mary, Vice Chairman, Board of Directors, National Railroad Passenger Corporation (Amtrak).....	13
Himburg, William P., president, Indian Trails, Inc., on behalf of the National Association of Motor Bus Owners.....	118, 236
Jacobs, Donald P., Chairman, Board of Directors, National Railroad Passenger Corporation (Amtrak).....	13
Knappen, Theodore C., Legislative Counsel, Interstate Commerce Commission.....	55
Krebs, Hon. John, a Representative in Congress from the State of California.....	114
Lewis, Richard S., Attorney Adviser, Interstate Commerce Commission.....	55
Love, William, Chief, Section of Railroads, Bureau of Operations, Interstate Commerce Commission.....	55
MacFarland, Hon. Alfred T., Commissioner, Interstate Commerce Commission.....	55
Mahoney, William G., United Transportation Union.....	285
Miller, James C., III, Assistant Director, Council on Wage and Price Stability, Executive Office of the President.....	72
Neuschel, Robert P., Consultant, National Railroad Passenger Corporation (Amtrak).....	13
Pickle, Hon. J. J., a Representative in Congress from the State of Texas.....	4
Reinke, James E., vice president, Eastern Airlines, Inc.....	118, 245
Reistrup, Paul H., President, National Railroad Passenger Corporation (Amtrak).....	13
Sisk, Hon. B. F., a Representative in Congress from the State of California.....	109
Van Deerlin, Hon. Lionel, a Representative in Congress from the State of California.....	2
Webb, Charles A., president, National Association of Motor Bus Owners.....	118
Williams, Vaughn, General Counsel, Council on Wage and Price Stability, Executive Office of the President.....	72

14 76

Additional material submitted for the record by—

Council on Wage and Price Stability, Executive Office of the President:	
"An economic policy analysis of the Amtrak program," by James C. Miller, III.....	Page 80
Comments on Amtrak's proposed criteria and procedures for making route and service decisions.....	74
Douglas, Robert, Brooklyn, N. Y., letter dated February 1, 1976, to Chairman Rooney.....	289
Interstate Commerce Commission:	
Passenger deaths and death rates, 1955-74.....	62
Passenger fatalities in transport vehicles, 1947-73.....	61
Passenger fatalities in transport vehicles, 1970-74.....	62
National Association of Motor Bus Owners:	
"Amtrak Yesterday, Today and Tomorrow," study by Continental Trailways, Inc. and Eastern Airlines, Inc.....	146
Attachments to Mr. Himburs' prepared statement:	
Attachment A—Number of weekly roundtrips operated by Indian Trails and Amtrak.....	238
Attachment B—Comparison of best elapsed times on the Chicago-Flint route, Indian Trails versus Amtrak.....	238
Attachment C—Changes in Indian Trails' monthly boardings over the corresponding month of the prior year January 1970-October 1975.....	238
Attachment D—Comparative fare history of Indian Trails and Amtrak in the Chicago-Kalamazoo/Flint markets....	239
Attachments to Mr. Webb's prepared statement:	
Accident death rates in passenger transportation—passenger fatalities per 100 million passenger miles.....	122
"Common Starting Point for Intercity Passenger Transportation Planning," by Berardus J. Schott and Luin L. Leisher, Boeing Commercial Airplane Co.....	123
Letter dated February 23, 1976, from Mr. Webb to Chairman Rooney re questions for NAMBO and their answers.....	252
Letter dated February 24, 1976, with attachments, from Mr. Webb to Chairman Rooney re equalization of rail and bus fares in the State of Michigan and Amtrak ridership figures for January through December 1974, as compared to January through December 1975.....	263
Letter dated March 1, 1976, with attachments, from Mr. Adkins of Greyhound Lines to Mr. Kovacs, Chief Counsel, Subcommittee on Transportation and Commerce re questions submitted to NAMBO with Greyhound's answers.....	254
National Association of Railroad Passengers:	
"Amtrak and Mo-Pac," from the St. Louis Post-Dispatch, Sunday, January 4, 1976.....	284
"Amtrak Blames Mo-Pac for Delays," from the St. Louis Post-Dispatch, December 18, 1975.....	282
"Aftermath of ICC Hearing," from The Clearance Card, September 1975.....	279
Letter dated October, 14, 1975, from E. L. Tennyson, Deputy Secretary, Local and Area Transportation, Pennsylvania Department of Transportation to Stanley Hamilton, Director of Public Affairs, NAMBO re national advertising against Amtrak.....	278
"The High Flyers," from the Passenger Train Journal, Winter, 1974-75.....	276
National Railroad Passenger Corporation (Amtrak):	
Letter dated March 1, 1976, with attachments from Paul H. Reistrup, president, Amtrak to Chairman Rooney re additional questions from Chairman Rooney and Amtrak's answers.....	41
Operating results.....	50
Route by route ranking by deficit per revenue passenger mile, fiscal year 1975.....	51
Route by route ranking by deficit, fiscal year 1975.....	52
Other published results.....	53
Passenger transportation, present fuel consumption based on seating capacity and average fuel use rates.....	54

Additional material submitted for the record by—Continued

National Railroad Passenger Corporation (Amtrak)—Continued		Page
"Pet Policy".....		17
Profit and loss and expense comparison, the Southwest Limited versus and Floridian.....		36
Revenue, expense, and deficit for the calendar years 1971-75, National Railroad Passenger Corp.....		26
Route miles operated.....		27
New York State Department of Transportation, Raymond T. Schuler, Commissioner, letter dated March 8, 1976, to Chairman Rooney with statement attached.....		294
Texas Tourist Development Agency, Frank Hildebrand, executive director, letter to Congressman J. J. Pickle with forwarding letter dated February 17, 1976 to Chairman Rooney.....		288
Transportation Association of America, Paul J. Tierney, letter dated February 2, 1976, to Chairman Rooney.....		291
Transportation Department:		
Table 1.—Summary of Amtrak funding, fiscal years 1971-1976....		7
Table 2.—U.S. intercity travel by mode.....		7

ORGANIZATIONS REPRESENTED AT HEARINGS

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Williams, Vaughn, General Counsel.

Eastern Airlines, Inc., James E. Reinke, vice president.

Interstate Commerce Commission:

Brown, Bryan, Jr., Assistant Director, Bureau of Accounts.

Knappen, Theodore C., Legislative Counsel.

Lewis, Richard S., Attorney Adviser.

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Himborg, William P., president, Indian Trails, Inc.

Webb, Charles A., president.

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Neuschel, Robert P., Consultant.

Reistrup, Paul H., President.

Transportation Department:

Barnum, Hon. John W., Deputy Secretary.

Hall, Asaph H., Administrator, Federal Railroad Administration:

United Transportation Union, William G. Mahoney.

AMTRAK DISCONTINUANCE CRITERIA

TUESDAY, FEBRUARY 3, 1976

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 2 p.m., pursuant to notice, in room 2325, Rayburn House Office Building, Hon. Fred B. Rooney, chairman presiding.

Mr. ROONEY. The subcommittee is pleased to note that we have four Presidential classroom students here today, two from Sunbury and two from my 15th Congressional District, John D. Jakeland and Beth Dolan, and I want to compliment you for your interest in Government and your being here today. I understand you have been on the floor and traveling around Washington. I think Presidential classroom is a very fine program and the committee welcomes you today.

Today, the Subcommittee on Transportation and Commerce is holding the first of 3 days of hearings on Amtrak's criteria for making route and service decisions.

The purpose of these hearings is to determine whether Amtrak's proposed criteria provide a workable guide for the determination of additions or discontinuances of routes and services. Hopefully, we will come to some conclusion as to whether the economic, social and environmental factors considered in Amtrak's criteria are properly weighted.

Although these hearings are limited to the evaluation of the criteria, they have far-reaching implications. The justification for granting Amtrak the authority to discontinue and expand routes and services was to provide the Corporation with adequate management flexibility. This flexibility would assist Amtrak in providing continued intercity passenger service within its authorization limits.

More importantly, it would lend credence to the original intent of Congress that Amtrak function as an independent, for-profit corporation. Unfortunately, I don't see a for-profit corporation existing within Amtrak today.

It is time to reexamine our original premise. Five years ago, Amtrak's backers predicted that in 1976 the Corporation would show its first profit. The prediction has not come true. In fact, the Federal Government share of running Amtrak has amounted to \$600 million since 1971, with an additional \$900 million to cover equipment loans that cannot be repaid.

In 1975 alone, Amtrak's 25,000 mile system lost more than \$320 million. Costs per passenger mile are 15.4 cents; revenues are only 6.7 cents. Even with twice as many riders, Amtrak projects operating deficits of \$400 million by 1980.

The administration, in its proposed fiscal year 1977 budget has authorized \$378 million for Amtrak. At the same time, Amtrak has estimated its 1977 operating grant requirements at \$440 million. In response to this proposed cutback, Amtrak has provided DOT with a list of routes that would have to be discontinued under the tentative administration budget.

There is more at stake here than the criteria to be used for determining route additions or discontinuances. The more subtle issue is the extent to which the Federal Government can and should continue to subsidize Amtrak operations. The Congress was responsible for establishing Amtrak 5 years ago, and at this juncture, it is the responsibility of Congress to reevaluate and determine Amtrak's future role in providing nationwide rail passenger service.

Hopefully, the testimony presented during the next 3 days of hearings will provide the submittee with the basis for making this important determination.

Our first witness today is the very distinguished gentleman from California, the very fine member of our full committee, the Honorable Lionel Van Deerlin. Mr. Van Deerlin, would you proceed?

STATEMENT OF HON. LIONEL VAN DEERLIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. VAN DEERLIN. Thank you, Mr. Chairman. I want to compliment you on getting into this very important bill so soon after the landmark legislation that you saw enacted into law only last week. There is no let up, I see, and I appreciate very much being the lead-off witness. I hope my testimony will not be overly parochial, but fortunately there is no House rule that prevents a Congressman from being parochial.

Mr. ROONEY. Knowing you like I do, it will be parochial.

Mr. VAN DEERLIN. I thought perhaps I was entitled to some reward for having sat 12 years next to the chairman on the full Commerce Committee.

As Amtrak approaches its fifth birthday, I suppose we can expect to hear ever more frequently from the critics of this new mode of passenger transportation. These critics will range from constituents with the inevitable horror stories of discomfort and delay, right on through to officers and employees of the Greyhound Corporation.

If not immediately, we surely approach a time when we shall have to decide what Amtrak's ongoing role is to be—to determine which routes should be maintained and which, in the interest of the public purse, will require discontinuance.

I would call myself something of a railroad buff—a buff as distinguished from a nut. I have ridden passenger trains, I imagine, oftener than anyone you are likely to hear from except the conductors' union—both before Amtrak, and after Amtrak came into being. I made it a point to go and buy my own ticket, not call a railroad

office and say "Here I come. Take good care of me." I was on an Amtrak train that was 13 hours late getting to Los Angeles—and Amtrak's headquarters in Washington didn't discover my presence on the train until after its arrival.

So I have shown more than a passing interest in this. I would regret greatly—emotionally, as a railroad buff and as a lover of trains—seeing transcontinental trains discontinued. Yet, in the interest of realism, I do recognize that long-distance runs between cities can never compete with air or auto travel. Amtrak's real mission may lie instead with those interurban corridors of intensive traffic, where the train cannot only provide an alternative in speed and economy, but will serve the true purpose of an alternative mode of transportation—taking people out of airplanes and off the highways.

Relatively short-run trains are probably the answer for Amtrak's future. That is why I say someone must have been jesting when it was suggested that 19 or 20 of Amtrak's runs be canceled.

One of those targeted for cancellation—and now we come to the parochial part of my testimony—is the San Diego to Los Angeles run, 120 of the most important miles in the Nation. That run terminates in my 42d District of California and so I have first-hand knowledge of the quality of service it provides.

It makes no sense to wipe out something so carefully nurtured and containing such great potential value. The San Diego to Los Angeles run may not make money yet, but it does attract passengers: an estimated 353,000 in 1975 and even if you allow for the balloon effect that was caused by the energy crisis early in 1974—which immediately put a lot of people on the trains who haven't been there since—that temporary rise in ridership does represent a substantial increase. Discounting the temporary rise of 1974, there is still an impressive increase for 1975.

More important, many of these riders have been diverted from the cars and planes that really are becoming crowded between these two metropolitan points.

Amtrak has been succeeding on this route despite a schedule that is not awfully convenient for the people that I represent. If you are a businessman and you want to go to downtown Los Angeles—where the train takes you and the airline does not—it is fine. You can leave at 7:30 in the morning and get to Los Angeles as fast as by air, counting airport time. But you can't get back until 10:30 at night if you work a full day in Los Angeles.

Then too, the train is still relatively slow. It takes 2½ hours to cover that 120 miles. I believe this timetable can be shaved by at least an hour when grade crossings are eliminated or made even less hazardous. There are at least six ungated crossings from Oceanside to San Diego, which is the southern end of this line to Los Angeles. I believe fewer than four are left in Orange and Los Angeles Counties.

Despite the drawbacks of existing service, it has been well received. It has been so well received that the normally tight-fisted county governments of Los Angeles, Orange, and San Diego counties have agreed to put up the money to add an extra train, which is supposed to begin service about April, under the terms of the legislation that makes this possible.

The two additional round trips a day will augment the current three daily round trips. It would not be very logical for the Federal Government to withdraw its support for this route at the time when local governments are making new 403(b) commitments, and thus demonstrating their faith in the viability of rail passenger transportation.

San Diego is ready to begin restoration of its old Santa Fe depot. This is something of a landmark in town, and it is the terminal for Amtrak. It will include a tourist-oriented complex of shops and exhibits. In this way, the city itself is reaffirming its own considerable stake in the retention and expansion of Amtrak service.

I know that San Diego is only one city, but it is typical of many cities which are responding to interconnected Amtrak service. I think the case for at least maintaining present levels of Federal support for the run I am interested in is compelling, but I am certain that equally strong cases can and still be made for adding railroad passenger service in most other parts of the country.

With the mounting problems of fuel waste and air pollution associated with most other transportation modes, the passenger train should be looming larger than ever.

I thank you.

Mr. ROONEY. Thank you for your very fine parochial testimony, ←Mr. VAN DEERLIN. I would like to remind you, and I think it is commendable that the local municipalities are willing to participate and share some of the losses, but I would like to tell you that the net loss last year on your run was \$1.249 million and I think if we can improve on that loss ratio—

Mr. VAN DEERLIN. You mean reduce it?

Mr. ROONEY. Improve on it.

Mr. VAN DEERLIN. I never argue with the Chairman.

Mr. ROONEY. We do appreciate your testimony today. Thank you very much.

Mr. VAN DEERLIN. Thank you, Mr. Chairman.

Mr. ROONEY. Without objection, the Chair wishes to place in the record, as though read, a statement from Congressman J. J. Pickle of Texas. Congressman Pickle was a former member of our full committee and is now a member of the Ways and Means Committee.

STATEMENT OF HON. J. J. PICKLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. PICKLE. Mr. Chairman, needless to say, it is always good to submit a statement to this group. I've been before your body before talking about rail car supply, Amtrak, and other transportation matters, and it is always a pleasure to examine these issues with colleagues of a subcommittee on which I used to serve.

I know that you are making decisions on the criteria that Amtrak and DOT have proposed for curtailing rail passenger trains. Thus, I will not take too much time, since I want to address another point—a threshold question.

This threshold question is next year's budget. I bring this to mind because, if we accept the President's budget, 19 Amtrak trains could be discontinued no matter what is decided on criteria.

Often, Mr. Chairman, I have come to you and the House with some very critical words for Amtrak management. This is not my song this time, although I am far from being happy.

The proof is that Paul Reistrup, the president of Amtrak, has pleaded strongly with William Coleman, the Secretary of the Department of Transportation, that the Amtrak system not be destroyed by the administration. Mr. Reistrup, in his December 2, 1975, letter to Secretary Coleman, puts the case clearly—if Amtrak does not receive a \$440 million operating budget, then 19 trains will come to a grinding halt.

This administration does not believe in rail passenger trains except from Washington to Boston.

I strongly disagree with this policy because rail travel can be very fuel-economical, environmentally sound, and safe. Even a brief review of my record discloses my strong beliefs about rail travel.

But I know the DOT and the President can disagree, and I accept that disagreement.

But I do not accept the harsh way this administration is attempting to implement its program, or lack of a program, for Amtrak.

Usually, disagreements are brought to Congress and the policy committees of Congress weigh the pros and cons before recommending action to the Congress as a whole.

This way the due process of lawmaking is followed. Every side has its say, the arguments are weighed, and a decision is made.

Now we have the President's budget, which, if implemented, will set the policy of giving up on intercity rail travel.

I want to quote from Mr. Reistrup's letter to Secretary Coleman. This section of his letter addresses the issue I mention directly:

However, if the implicit objective is to establish a lower fixed level of operating grant for Amtrak through FY 77 and possibly beyond; this objective should be addressed directly and in context with both executive and legislative policy as prescribed in current law. We do not subscribe to the employment of the budget process to make major policy decisions that dramatically affect route structure and operational policies of the national railroad passenger system contrary to these mandates.

I can just add my "Amen" to that.

As the members of this committee know, the Amtrak train "The Inter-American" runs through my congressional district. The train, one of the international routes mandated by Congress, runs from St. Louis to Laredo, Texas.

This train has great potential. It could be a boon to U.S.-Mexico relations, and an element for increased trade.

But because of poor equipment, poor scheduling, and general neglect, the train has not reached its potential. The Inter-American has had to chug along at half speed for the past 3 years.

Mr. Reistrup has begun to help us with this run. He has pledged better equipment and has committed Amtrak moneys to improve the scheduling by repairing the tracks for a faster trip.

Now, just as all those concerned with the Inter-American begin to have some hope, the President recommends cutbacks that could sound the death knell of the train. This is a heartbreaking development.

In conclusion, I would urge that the Congress make it clear that Amtrak is not to be decimated.

We, the Congress should be willing to consider discontinuance criteria as a matter of policy, but we will not allow trains to be discontinued because of lack of commitment of this Government to rail passenger service.

The sooner we move with this message, the better.

Thank you, Mr. Chairman.

Mr. ROONEY. We are going to revise our schedule today. The distinguished Deputy Secretary, John Barnum, has another commitment at the White House and he has asked to be scheduled at this time. There has been an agreement that he will now appear before the committee. I do appreciate Mr. Jacobs, Mrs. Head, and Mr. Reistrup's allowing us to proceed.

STATEMENT OF HON. JOHN W. BARNUM, DEPUTY SECRETARY, DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY ASAPH H. HALL, ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION

Mr. BARNUM. Thank you very much. I would like to extend my thanks to Mr. Jacobs, Mrs. Head, and Mr. Reistrup for accommodating us in this respect. I have with me Mr. Ace Hall who is the Administrator of the Federal Railroad Administration. I have a prepared statement which I would like to address to the Chair and then answer any questions you may have.

I am very pleased to have the opportunity to offer the support of the Department of Transportation to "The Criteria and Procedures for Making Route and Service Decisions" proposed by the board of directors of the National Railroad Passenger Corp. What we are really discussing today, however, as you so aptly observed in your opening remarks, Mr. Chairman, is not just proposed criteria, but indeed the very future of Amtrak.

Amtrak, as we are all aware, was established for two reasons. The first reason was to relieve the predominately freight carrying railroads of the financial burden of operating unremunerative rail passenger services. The second reason was to rationalize and modernize rail passenger service and to provide such service—hopefully—on a self-sustaining basis.

While the financial burden of providing passenger service has been removed from the private railroads which chose to join Amtrak, Amtrak has not succeeded in establishing itself as a self-sustaining corporation. In many ways, therefore, all that has been accomplished has been to shift the burden of paying for the losses produced by passenger service from the railroads to the public treasury.

Amtrak's operating grant requirements have grown year by year reaching \$328 million this fiscal year. A total of \$1 billion 64 million of Federal funds has been appropriated since 1971 for Amtrak's operations through September 1976, along with \$900 million in loan guarantee authority and \$136 million in grants for Amtrak's capital program since 1971.

I have attached to the testimony I submitted to the committee a table which indicates these amounts and I would ask that that table

be printed with my statement, if it is agreeable to the committee.
 Mr. ROONEY. Without objection.
 [Table 1 referred to follows:]

TABLE 1.—SUMMARY OF AMTRAK FUNDING
 (In millions of dollars)

	Operating expenses (Sec. 601 Appropriations)	Capital expenses (Sec. 602 Loan Guarantee Authority)
Fiscal year 1971	\$40.0	\$100.0
Fiscal year 1972	170.0	100.0
Fiscal year 1973	9.1	300.0
Fiscal year 1974	140.0	400.0
Subtotal		900.0
Fiscal year 1975	276.0	111.2
Fiscal year 1976	328.8	25.0
Transition quarter	99.7	
Subtotal	1,063.6	136.2
Total		1,036.2

	President's fiscal year 1977 budget request for Amtrak	
	Operating expenses	Capital expenses
Fiscal year 1977	\$378	\$105.7

¹ Excludes 197.M in railroad capital payments applied to operating expenses in fiscal years 1971-74.

Mr. BARNUM. In the 5 years since Amtrak's beginning, over \$2 billion has been committed to provide transportation for less than one-half of 1 percent of the intercity travelers in the United States—a substantial public investment which is generating a relatively small public benefit.

Table 2 attached to my statement shows the relative patronage of the various intercity transportation modes and I would ask that table be likewise included in my statement.

Mr. ROONEY. Without objection.

[Table 2 referred to follows:]

TABLE 2.—U.S. INTERCITY TRAVEL BY MODE¹

Intercity mode	Person-trips	Person-miles
Total	458,483,000	369,597,000,000
	Percent	Percent
Auto/passenger truck	85.2	69.4
Air	11.8	27.6
Bus	1.8	1.5
Rail .....	.4	.5
Other .....	.8	1.0
Total	100.0	100.0

¹ Intercity travel is defined as a trip of at least 100 one-way miles.

Source.—1972 National Travel Survey.

Mr. BARNUM. An additional startling fact illustrates the dimensions of this incongruity: the annual Federal subsidy paid to Amtrak is now more than all the money received by Amtrak from passenger revenue. While there was a sudden spurt in Amtrak ridership as a result of the fuel crisis—as indeed there was by motor bus carriers—this crisis induced patronage proved to be short lived.

When fuel once again became available, Amtrak's ridership fell back to the 9 percent growth rate that was experienced for each of the other years between 1972 and 1975. I need not add that even though there was growth in ridership, the deficit was also rising.

One of the basic reasons for this predicament is that we have denied Amtrak the ability to shape the basic system in response to changes in passenger demand. The Amtrak Act envisioned the establishment of a corporation that would both operate a basic national rail passenger system and be a for-profit corporation, but those conflicting goals have proven to be mutually exclusive. The very flexibility inherent in the terms "for-profit" has been denied to Amtrak by legislative provisions which have frozen into place the existing route structure and required the operation of additional uneconomical routes. The administration sought a remedy in its proposed Amtrak Improvement Act of 1975, a bill which would have allowed Amtrak to change the basic system in response to market demand.

The 1975 Amtrak Improvement Act, as passed, provided the first hope that the board of directors could restructure the Amtrak system to provide efficient service within reasonable budget restrictions. The provision for route and service criteria in the 1975 act was a step toward concentrating responsibility and authority in the Amtrak board of directors, and this the Department wholeheartedly supported. At last year's Amtrak authorization hearings we emphasized the need for this flexibility as a key element in increasing the efficiency of the Amtrak process.

Amtrak has now proposed criteria and procedures for analyzing route and service changes. We feel this adoption would be a significant step toward responsible management and would enable Amtrak to control its cost and revenue ratios and thereby allow operations within a relatively stable and hopefully declining operating grant ceiling. I would like now to describe the proposed criteria in very brief outline.

The criteria for determining routes and services are categorized in three areas: Economic—measuring the impact of a route or service on Amtrak's current and projected financial status; Social—measuring the impact of a route or service on the population served by Amtrak and on current and future ridership; and Environmental—measuring the impact of a route or service on energy consumption, air quality, and land use.

The first step taken by Amtrak when evaluating route or service changes would be to assess the economic effects of a change. The evaluation would show both current and projected financial performance of serving the route as well as the capital investment required to maintain or upgrade the service. Amtrak proposed to use five economic criteria, which are described in detail in the October 29 submission to Congress. These would allow Amtrak to rank routes on the basis

of financial performance. These criteria are: (1) financial contribution per revenue passenger mile; (2) total financial contribution; (3) financial impact on connecting parts of the system; (4) incremental capital investment requirements; and (5) return on incremental investment.

These economic criteria will give a much more realistic appraisal of the relative financial contribution of any one route versus all other routes in the system.

Amtrak would not use the economic evaluation of a route as the sole determinate of route and service alternatives. The social and environmental impacts would also be evaluated.

The social criteria consist likewise of five measurement devices for evaluating different route or service proposals: (1) population served; (2) individuals currently using the route; (3) population deprived of/or provided with service; (4) availability of alternate modes; and (5) impact on personal safety.

These social indicators give Amtrak a chance to examine the impact of service changes on the basis of their impact on the public.

The third route and service evaluation tool is the use of environmental criteria. There are three measures proposed: (1) change in energy consumed; (2) change in pollutants generated; and (3) land freed for or removed from alternative use.

Utilizing all of these thirteen criteria and relating them to objectives and performance standards established by the board of directors for the entire system, each route would be analyzed for its economic, social and environmental contributions. Upon review of these factors, the routes would be placed in one of five categories ranging from routes to be continued—category 1—to routes where all factors suggest discontinuance—category 5.

Complementing this internal decisionmaking process is Amtrak's plan to solicit public comment for proposed route or service change proposals when appropriate. These comments would be incorporated in Amtrak's route and service analyses. In special cases involving proposed route discontinuances it may be determined by the board of directors that a public hearing is necessary. The board of directors would receive a summary of the hearing for use in making the final decision on the discontinuance of such a route.

We believe the data developed in the application of these criteria will provide Amtrak with a much more objective basis for making decisions on routes and services. Yet, there obviously will remain an element of judgment, particularly in weighing social and environmental considerations which of course cannot always be precisely measured in dollars or other terms. We firmly believe, however, that the proposed criteria accurately identify the relevant considerations and specify the pertinent information needed to make these decisions in a way that best serves the public interest. We do not see any way that they could be made more precise or more comprehensive without making their application impossibly complex and burdensome.

Let me here insert, Mr. Chairman, that this task of preparing criteria for the use of the Amtrak board was indeed a most painstakingly undertaken task in which members of the Amtrak board and their consultants and the Amtrak staff participated at great length.

I should say, as I said to the members of the Amtrak board when we were deliberating these criteria, that we in the DOT and in the Federal Railroad Administration have indeed taken a hand ourselves at trying to outline appropriate criteria. I would suggest to you in your deliberations as to whether or not the Congress should accept these criteria, that providing criteria of this nature is an extremely difficult task if you are both to set forth the type of information you need for an objective judgment and yet leave the decisionmaker sufficient leeway, and sufficient opportunity to apply the judgmental factors which indeed must be applied to reach the appropriate decision.

Many of these elements are simply not susceptible to mathematical balance and to come up with criteria that are exclusive of some of the judgmental factors I think would not be wise.

Accordingly, the Department believes that the proposed route and service criteria, applied as described by Amtrak, are responsive to the intent of Congress. Through judicious and responsible application of these criteria, the Amtrak board of directors should be able to evolve a system of services which will provide the maximum public benefit per Federal subsidy dollar within the limits of the corporation's annual appropriations.

This completes my prepared remarks, I would be most happy to answer any questions you may have.

Mr. ROONEY. Thank you, Mr. Secretary. Do you think there is any possibility that Amtrak will be discontinued because of the lack of participation by the American public? As I understand it 2 percent of the American public travel on Amtrak lines. Have you given that any consideration?

Mr. BARNUM. I think that Amtrak does indeed provide a very useful service in a significant number of intercity markets. I find much merit in some of the remarks made by Mr. Van Deerlin earlier with respect to the ability of Amtrak to provide a service on short haul intercity markets in areas where we are running out of land with which to build more highways or may soon be running out of airspace in which to fly shuttles, such as the New York to District of Columbia market. In the Northeast corridor there is a demand for rail passenger service, and there may be such elsewhere in the country where Amtrak can provide an invaluable service.

How much beyond that kind of system we should be spending the taxpayers' dollars is another question.

Mr. ROONEY. I don't know whether or not you are familiar with the study that was done by the Continental Trailways, but they say Amtrak short haul routes are its biggest losers. Would you like to comment on that, either the Administrator or yourself.

Mr. BARNUM. I think you have to consider in what terms they the biggest losers and who is the loser. We are actually talking about the taxpayer who is the loser in the sense that it is either higher per seat-mile or passenger-mile or per passenger cost that leads to that conclusion. But it is also in those very corridors where there may not be available in the future alternative forms of transportation and where the taxpayer would in fact be the net gainer if we were to have, for example, New York to District of Columbia rail passenger service

that would decrease the need for Federal investment in additional highways or Federal investment in additional airports.

In other words, I don't think the dollar is the only test by which we should measure whether a route is a loser in the way that I think the Continental Trailways report would suggest is the criteria to be used.

Mr. ROONEY. In other words, you are saying that you do not support their criteria.

Mr. BARNUM. That is very emphatically so, I suggest it is a very difficult task to determine criteria sufficiently precise in what we are looking for as the basis upon which judgments will be made, and yet allow sufficient room for judgment to be exercised by the Board of Directors of Amtrak which does represent a variety of interests, indeed as required by the statute and the body to which I would have the Congress delegate this authority to select particular routes.

Mr. ROONEY. Mr. Van Deerlin also alluded to transcontinental service. What about the long-haul service? Do you agree with this concept? People today just don't have the time to travel between Los Angeles and New York or Washington by transcontinental trains. They are more concerned about time. Do you think we can continue to support this type of service?

Mr. BARNUM. That is certainly true that they are not going to take the time and apparently they are not prepared to pay the cost of having the trains.

Amtrak has made some experiments with changing fares to attempt to recapture its losses arising from inflation and other increases, such as fare increases. But in many instances it has found that the demand for their service is so relative ~~inelastic~~ that they gain no revenue as a result of the fare increase. If that is true and I think it is particularly true with respect to some of the long haul routes, then the people who insist they be maintained are not willing to pay the price of maintaining and in fact they should be required to resort to other forms of long haul transportation that are available.

The airlines, for example, could very easily accommodate the relatively small increment in the long haul markets that termination of intercity passenger service might create within their existing flight patterns without increasing their load factor much above their existing levels. Consider the Los Angeles to Seattle market. You are talking about 15,000 annual passengers on intercity rail whereas there are about 368,000 passengers annually flying between Los Angeles and Seattle.

Now, the load factor for that air route is about 60 percent. It would be very easy to accommodate those additional 15,000 passengers now going by train on the existing empty seats between Seattle and Los Angeles on the air system, and that does not even look to the alternate forms of transportation that the intercity bus industry provides.

So I don't know if we are net gainers by insisting on preserving some of these long haul routes that are not very well patronized.

Mr. ROONEY. Do you think it is possible to reorganize Amtrak in such a way that it can provide the basic intercity service and yet be profitable?

Mr. BARNUM. I think it all depends on what you mean by this basic intercity service.

Mr. ROONEY. I think basic intercity service is between San Diego and Los Angeles or between my own district and Lehigh Valley in New York and it is between Boston and Washington. That is what I am talking about.

Mr. BARNUM. I think if you would do that I would have to get out a list of the markets that would be preserved on that basis.

Mr. ROONEY. Have you ever thought about it?

Mr. BARNUM. I have indeed and that is one of the things that troubles me with the list of routes that was submitted. When we first talked about Amtrak reducing their operating losses next year to \$378 million, a list was prepared by Amtrak. Amtrak proposed that list because they interpreted the congressional intention in setting up the basic system in 1970 and 1971 as being a requirement for a nationwide network of rail passenger service.

I have very serious doubt that we can indeed have a nationwide network of rail passenger service and have that—

Mr. ROONEY. Then we would have to change the statute.

Mr. BARNUM. The statute does not literally require a nationwide network. It simply requires a basic national system and if that were interpreted by the Congress to mean rail passenger service where appropriate and where potentially self-sustaining. I think you could do it under the existing statute, but you would have to clarify the intention.

Mr. ROONEY. I am very much concerned about Amtrak. I think it is an essential part of our transportation system in this country. But Mr. Secretary, how would you propose to restructure Amtrak so this would be achieved?

Mr. BARNUM. First: I would give to the Board of Directors, as I believe the Congress intended when it first laid on this requirement for railroad carriers, the authority to proceed under the criteria which the Board of Directors has proposed.

Second: I think that we do need to proceed in the next few years with the program which Amtrak has embarked upon for modernization of its equipment. One of the ways in which Amtrak has a chance of turning the corner is by increasing its productivity and by increasing the number of passengers that they are able to carry on the equipment that they have or the new equipment. This is indeed the purpose of some of the bilevel equipment that we are looking at using outside of the East. It is clear as they do expend capital and improve and modernize their equipment, they are going to be a more efficient operation.

At this point, Amtrak is very much at the mercy of the railroads over which it operates, to be sure. They have a contractual obligation. The railroad is obliged to maintain its property over which Amtrak is operating by contract with that railroad in the condition in which it existed on May 1, 1971. But several of the railroads have not been able to do that for financial reasons, such as the Penn Central.

Other railroads have not maintained some of these lines over which Amtrak is operating. The bill which you sponsored and which I commend your committee and the Congress for adopting last week to permit the railroads of the Nation to rehabilitate their properties has a provision for \$200 million which would specifically authorize

loan guarantees. That kind of financial assistance to the privately owned railroads of the Nation will indeed gain dividends to Amtrak.

Those are the principal new initiatives, if you will, that I foresee for Amtrak. There are other initiatives with respect to increasing productivity, cutting costs and some fare experiments that would likewise be of assistance to Amtrak.

Mr. ROONEY. Thank you very much. We appreciate your being here today, too, Mr. Hall.

Mr. BARNUM. Thank you, Mr. Chairman.

Mr. ROONEY. Our next witness will be Dr. Donald P. Jacobs, chairman of the board of directors of Amtrak. Accompanying Dr. Jacobs will be Mrs. Mary Head and Mr. Paul Reistrup, president of Amtrak.

STATEMENT OF DONALD P. JACOBS, CHAIRMAN, BOARD OF DIRECTORS, NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK), ACCOMPANIED BY MARY HEAD, VICE CHAIRMAN, BOARD OF DIRECTORS; PAUL H. REISTRUP, PRESIDENT; AND ROBERT P. NEUSCHEL, CONSULTANT

Mr. JACOBS. With your permission, we have another gentleman with us, Mr. Robert P. Neuschel of McKinsey & Co., who took part in the development of the criteria.

I want to begin by thanking the members of the subcommittee for allowing us to come here and testify before you today on the question of the route criteria. I have a prepared statement and I am prepared to enter that statement into the record and not read it, since it virtually repeats what has been said, and in no way disagrees. I, therefore, think that the Committee's time could best be used in a dialog between my colleagues at the witness table and myself and the committee, rather than listening to the statement that I prepared.

Mr. ROONEY. Without objection.

[Mr. Jacobs' prepared statement follows:]

STATEMENT OF DONALD P. JACOBS, CHAIRMAN OF THE BOARD, NATIONAL RAILROAD PASSENGER CORP. (AMTRAK)

Mr. Chairman, Members of the Committee: I am grateful for the opportunity to discuss with you and the Committee the Criteria and Procedures for making Route and Service Decisions. The Criteria were submitted by the Amtrak Board of Directors to the Congress on October 29 of last year in compliance with the Amtrak Improvement Act of 1975. The criteria and procedures provide an essential analytic framework for making reasoned decisions on the components of the nation's intercity railroad passenger service. Both the criteria and their application can benefit from the fullest public discussion.

I would like to outline for the Committee how the Amtrak board has attempted to relate the proposed criteria to the Congressionally enacted legislative goals for Amtrak service.

The Rail Passenger Service Act of 1970 provided for the first time an organization—Amtrak—with a charter to focus its total energies on revitalizing intercity rail passenger service throughout the United States. The objective was to reverse the steady decline of rail passenger service that had taken place since World War II. The Act and subsequent amendments have provided guidance on the goals the corporation should seek to achieve.

The Board summarized these goals as follows:

1. *Provide modern, safe intercity rail passenger service.*—This goal is taken directly from Title I Section 101 of the Rail Passenger Service Act of 1970, in which the Congress declared that "modern, efficient intercity rail passenger

service is a necessary part of a balance transportation system." The board views this statement as implying that Amtrak route and service criteria and evaluation process should be structured so that priority consideration is given to the continued provision—rather than the reduction or elimination—of service.

2. *Develop and maintain an integrated national rail passenger system.*—This goal, also taken from Title I, Section 101 of the 1970 Act, describes the intended scope of the Amtrak system i.e., one that is national and interconnected in its service.

3. *Operate efficiently on a "for profit" basis.*—This goal originates from Title III, Section 301 of the 1970 Act, which states that "the corporation shall be a for profit corporation." Amtrak has not made a profit in its first years of existence. However, consistent with this goal, the Amtrak board and management strives through all decisions, including those pertaining to route or service changes, to improve financial performance so that the Corporation's resources are used in the most efficient manner.

4. *Reduce congestion, conserve energy, and preserve the environment.*—This goal, which is referred to in numerous places in Amtrak basic legislation, has received increasing national attention. Trains and routes with only marginal ridership do not significantly reduce congestion or conserve energy, at the same time these low use routes contribute substantial per passenger mile financial losses. The board feels that the most fundamental way that Amtrak can contribute to this goal is by providing an attractive alternative to highway travel. The criteria provide a methodology to give the Amtrak board and the Congress understanding on where the maximum contributions can occur within a national route structure.

5. *Serve the public convenience and necessity.*—This goal, explicitly stated in Amtrak's original legislation, stems from Amtrak's special obligation as a public sponsored corporation funded substantially by the Federal government. It implies particularly that the route criteria should lead to full consideration of the impact of proposed service changes on the public.

Up to now, route and service decisions have been decided by four entities:

First.—Amtrak management, which analyzes the performance of current and proposed routes and may suggest route additions or discontinuances to the Amtrak board.

Second.—The Secretary of Transportation who by law has designated experimental routes under the provision of Section 403(c) of the Act and who is also responsible for conveying appropriated funds to Amtrak for operating and capital purposes.

Third.—The Interstate Commerce Commission, which has been charged with the responsibility for approval or disapproval of proposed discontinuances.

Fourth.—The Congress, which has mandated that certain routes or services be continued for specified time periods, which also provides the approval to appropriations for capital and operating funds, and which represents both the local and national interest in the service the system provides.

I believe the proposed arrangement will result in improvements by locating more responsibility directly with the Amtrak Board.

The thought that the Amtrak board should in fact be given the full responsibility to define Amtrak's routes and services was supported during Congressional hearings related to the Amtrak Improvement Act of 1975. Testifying on behalf of the Administration, Mr. Asaph Hall, Administrator of the Federal Railroad Administration, stated:

"The end result of this diffusion of authority (concerning route and service decisions) has been to reduce the Corporation's ability to manage its affairs in pursuit of the commonly agreed objectives; namely to foster intercity passenger service based on sound transportation decisions. The time has come when we must recognize that regulatory and political control over Amtrak's management flexibility in offering services are counter-productive. The decision-making process must be more clearly and solidly vested in the entity responsible for providing the transportation service—Amtrak."

I believe there are a number of reasons for Congress to more clearly vest route decisions in the Amtrak board. But I also believe Congress should provide the ground rules and the constraints on such decisions. The criteria and procedures proposed permit this. In the final analysis Congress must oversee Amtrak's board decisions to insure that the public interest is served.

Thus, the Congress stated in the Act that "within 120 days after the date of enactment of this subsection, the Board of Directors of the Corporation shall study, develop, and submit to the Secretary, to the Commission and to the Congress an initial proposal setting forth criteria and procedures under which the Corporation would be authorized to add or discontinue routes and services."

The Amtrak board intensively addressed the definition of the criteria and procedures, devoting the major portion of each board meeting from June through September. In addition, we set up a task force of Amtrak staff and personnel from McKinsey and Company to assist us in making a probing analysis as a basis for developing the criteria. Finally, the board held a special and lengthy meeting in August for the sole purpose of formulating the proposals now under review. The board considers these criteria and procedures as fundamental to the determination of Amtrak's development for the future.

The report we have submitted fully describes the criteria and procedures the Amtrak board would use if Congress accepts the proposal. If I may, I will summarize these criteria briefly: Economic criteria includes measuring the impact of a route or service on current and projected financial status. Using both current and projected financial data this impact will be measured by: (1) the financial contribution of the routes or services in terms of financial gains or loss per revenue passenger miles; (2) the total financial contribution of the route or service to Amtrak's overall financial performance; (3) the financial impact of making a route or service change on connecting parts of the system; (4) the incremental capital investment requirements to either maintain or change service; (5) and the percentage return on each increment of capital investment.

Amtrak has been making route profitability studies for about a year. The methodology used was developed in concert with the accounting firm of Price Waterhouse and the Federal Railroad Administration. I am convinced we can apply the proposed economic criteria in a sound and professional manner, recognizing they must be evaluated in light of a route's contribution to social values and its environmental impact. Social criteria involves measuring the impact of a proposed route or service change on the population directly served and on current and future ridership. This impact will be determined by: (1) the total population that is sufficiently near the route to take advantage of the service; (2) the number of individuals who rode or would ride the train at least once during a given year; (3) the population that would be deprived totally of rail passenger service (in case of a discontinuance) or that would receive service previously not available (in the case of an addition); (4) the availability of alternative transportation (airplanes, buses, and highways) to accommodate the passengers not provided with rail service, and thereby whether the route or service would contribute to or reduce traffic congestion or have a significant financial impact on other modes and (5) the probable increase or decrease in accidental death and injuries that could result from a route or service decision.

The data on social criteria is difficult to gather, quantify and judge. It is also possible that with experience Amtrak could expand on the social factors bearing on route decisions. The procedures call for direct solicitation of public views and a careful assessment of dislocation especially where services might be reduced. It will require some period of time to collect, weigh and quantify pertinent social data, but I believe the criteria and procedures provide a sound beginning formula.

Environmental criteria involves measuring the impact of a route or service on energy consumption, air quality, and land use. The impact will be measured by: (1) the change in energy consumed if actual or potential Amtrak riders used some other mode of transportation; (2) the change in pollutants under the same circumstances; (3) the amount of land that would either be freed for or removed from alternate use by the proposed route or service change. Building such a bridge in our route judgments between economic, social and environmental considerations breaks new ground, but we feel the need is critical to our time.

The board believes that the criteria and procedures as defined meets the intent of Congress. We anticipate that the system of routes and services defined by the future use of these criteria and procedures can be fully responsive to the public need for intercity rail service. We think our proposal offers an attractive and rational alternative to the current way of making such decisions. Therefore, in anticipation of Congressional approval of these criteria, Amtrak

management has begun to develop internal procedures for gathering the necessary factual data. The board will review these procedures and join Amtrak management in developing a reliable and workable process. Methodologies in use or proposed are scheduled for presentation to the board at their first meeting following these hearings.

Lastly, the board is very much aware that the current criteria and procedures do not specifically address how weighting of economic, social and environmental variables will be undertaken. After much discussion, the board decided against any mechanistic approach to weighting or to allowing a condition where any one criteria relative to another could be consistently overridden. Each set of decisions will have to be addressed very carefully.

There is provided in Section 3 a priority ranking system as required by 404(c)(1)(F). Obviously we expect judgments and approximations will be necessary including consideration of any given route change in context with a "balance" standard established for the total system. Great care has been given by the board to our decision-making procedures to assure direct board involvement, systematic evaluation and ranking, positive service improvement and public involvement.

We fully expect as we gain experience that our procedure and methodologies will improve and that we will want to propose new and different criteria from time to time. We are particularly hopeful that the public hearings provided in the procedures will serve as a useful source of information from all concerned parties and we have provided that a written public document summarizing these viewpoints be made.

Any number of reasonable route planning scenarios can present themselves—including situations now faced by the Amtrak board in its policy responsibility to make the decisions necessary to operate within the funds provided for FY 1977. It is in this context that I see the application of these procedures having an immediacy and I therefore hope the Congress will take the necessary action to permit their application to the problems at hand today.

If the criteria are approved, we will, of course, keep Congress and this Committee fully apprised of these further steps at implementation.

Mr. Chairman, this concludes my prepared remarks this morning, and I am prepared to attempt to make any further clarifications the Committee may request.

Mr. ROONEY. There is not a day, Dr. Jacobs, or for that matter a week that goes by that I don't have some complaint about Amtrak and its service. I will start this colloquy between you and the committee by asking you—and this happened just yesterday—I have been bombarded with all sorts of letters. Are you really going to ban dogs from the train? Perhaps I should address that to Mr. Reistrup.

Mr. REISTRUP. I think I had best answer that. We are not banning dogs from the trains, but we are putting them where they should be. I am a dog owner. In fact, I have 2, a 13-year-old mix and a 7-year-old very pure beagle. They have never ridden on the train and if I did take them on the train they would ride in the baggage car in the appropriate carrier rather than in the passenger compartment of the train.

We have allowed them in the sleeping cars in the past and when the passenger gets off on one of these longer trips and the new passenger gets on, they then get to share the room with what the dog left there. So we are in the passenger business basically and we will accommodate the animals where they belong.

Mr. ROONEY. But you will have accommodations for cats?

Mr. REISTRUP. Yes; in the baggage car.

[Amtrak "Pet Policy" follows:]



RESERVATIONS MANUAL

OFFICE OF

Bulletin
Number705 - TRAVEL WITH PETS AND ANIMALS

JAN 9 1976

BACKGROUND ON NEW POLICYGOVT. AFFAIRS

AMTRAK is required by federal law to keep passenger coaches and sleeping accommodations sanitary and free from objectionable odors. This is according to Interstate Commerce Commission regulations governing Adequacy of Intercity Passenger Service, 49C.F.R. 1124.19 and 20.

In addition to the federal law, AMTRAK, as a matter of normal concern for the benefit of all passengers, endeavors to provide a clean, comfortable, objection-free environment on all trains.

The presence of pets in passenger accommodations, however, has created, and does create, problems of sanitation and odor which make it difficult and costly for AMTRAK to provide an environment of the right quality. AMTRAK must often sanitize accommodations and in some cases replace upholstery to restore passenger carrying equipment to usable condition. This work entails substantial cost and, more importantly, removes the entire car from service while the work is done.

At the same time, AMTRAK recognizes the importance of providing transportation for pets. Pet owners need transportation service and look to AMTRAK to provide reasonable pet-carrying facilities. To provide service to our many pet owning customers and at the same time allow AMTRAK to comply with the law and meet the needs of all our customers, a new pet policy has been developed.

During the initial period when AMTRAK is applying this revised pet policy, we anticipate a certain number of misunderstandings and complaints. For example:

- ... The passenger who has already taken a pet to Florida and confronts the new policy on his return;
- ... The person who has been taking his pet free into a sleeping car and must now face the cost of a container and be separated from his pet during the trip, etc.

For all unusual requests, you are authorized to contact the following Headquarters number for a solution: JOHN HARGRAVES: FTS 654-3535. If Headquarters is closed, the District Superintendent will make a decision.

We believe the revised pet policy is a realistic decision of a difficult problem. It is up to AMTRAK now to make it work.

Issued 1/30/76
Cancels 4/30/75
NRPC 135 11 731

Correction
No 0292



RESERVATIONS MANUAL

Bulletin
Number705 - TRAVEL WITH PETS AND ANIMALS (contd)GENERAL POLICY

Beginning on February 15, 1976, AMTRAK will now accept pets and animals on its nationwide rail system in baggage service only. Dogs (except guide dogs*), cats, and other domestic pets will no longer be allowed in any passenger car. All animals accepted for shipment must be accompanied on the train by the passenger. (Animals will not be shipped alone.) Pets and animals traveling wholly within the U.S.A. do not require certificates of vaccination; animals checked into Canada or Mexico, however, must have a current rabies vaccination and proof thereof. Pets or animals are naturally prohibited on trains where the baggage car is sealed.

First class passengers may ship a pet by providing a suitable container, or purchasing one from AMTRAK. There is no excess baggage charge for this service for first class passengers.

Coach passengers will continue, as they have been, to provide or buy a container, and will pay for the total weight, pet and container, as excess baggage.

*NOTE: Guide dogs traveling with blind passengers are permitted on any AMTRAK train in any accommodation. (See 703.1 for information on blind passengers.)

ACCEPTANCE IN BAGGAGE CAR

Pets or animals in well-ventilated containers can be checked on any train that has a baggage car; accordingly, the origin and destination cities must provide checked baggage service. (Refer to current Baggage Circular for more information.) If there is no regular baggageman on the train, pets may still be carried.

Passengers traveling with animals may supply their own suitable containers for carriage. AMTRAK also has pet containers for resale to passengers; they have been placed in 24 major stations listed below. These containers are provided in three models:

Model	Dimensions	Cost
Model #10	12"W X 18"L X 8"H	\$ 5.00
Model #200	18"W X 26"L X 19"H	\$20.00
Model #400	24"W X 36"L X 27"H	\$30.00

All above prices do not include state sales tax.

Issued 4/30/76
Changes

NAPC 135 (1 73)

Copy 87
No. 0292



RESERVATIONS MANUAL

Bulletin
Number705 - TRAVEL WITH PETS AND ANIMALS (contd)DEPOT STATION FOR PET CONTAINERS

Albany/Rensselaer, NY
 Albuquerque, NM
 Boston, MA
 Chicago, IL
 Denver, CO
 Detroit, MI
 Houston, TX
 Jacksonville, FL
 Kansas City, MO
 Los Angeles, CA
 Miami, FL
 New Orleans, LA

New York, NY (Grand Central)
 New York, NY (Penn Station)
 Oakland, CA
 Philadelphia, PA
 Pittsburgh, PA
 Richmond, VA
 St. Albans, VT
 St. Louis, MO
 St. Petersburg, FL
 San Diego, CA
 Seattle, WA
 Washington, DC

Arrangements can be made to supply pet containers to other locations on a request basis. Send a MG message to the nearest depot station where containers are stored. Give the passenger's name, address, and home telephone number. Copy the message to the station where passenger will be boarding. When the container arrives from the depot station, the lead baggage clerk, or equivalent, can notify the passenger. Be sure to show the model number of the container desired. Since the time needed will vary with distance and frequency of train service, be sure to allow enough time.

VISITING PETS EN ROUTE

The train baggageman, or station personnel, in some cases, are available to handle baggage at the stations. Downline stations should be advised when pets are traveling in transit so that station personnel can check the condition of the animal and supply water.* The animal may be exercised by the owner at those regular train stops where the layover time is at least 10 minutes. Passengers wishing to visit their pets en route may do so when safety and operating conditions permit by making arrangements with the train conductor.

*NOTE: It is the passenger's responsibility to see that the animal or pet is provided with adequate food.

RESTRICTED AMTRAK CITIES AND TRAINS

Some AMTRAK stations are served only by bus connection; others do not have checked baggage facilities. Accordingly, pets can never be checked as baggage to these stations. Here are some examples:

Issued 1/30/76
 Cancels 4/30/75

NAPC-135 (1-73)

Correction
 No. 0292



RESERVATIONS MANUAL

Bulletin
Number705 - TRAVEL WITH PETS AND ANIMALS (contd)RESTRICTED AMTRAK CITIES AND TRAINS (contd)

San Francisco, CA (bus connection)
 Helena, MT (bus connection)
 Altoona, PA (no baggage facilities)
 Johnstown, PA (no baggage facilities)
 Tacoma, WA (bus connection)

In addition, some trains have peculiarities in their operation which do not allow for shipment of pets:

1. Metroliner trains have no baggage service and are therefore unable to accept pets; a similar restriction applies to other short-haul, all-coach trains.
2. Empire State Express (63/64) - BUF-DET-BUF - no pets accepted in baggage car because it is sealed crossing Canada.
3. Silver Star (81/82, 81-91/92-82) - no pets checked as baggage to Lakeland, Tampa, Clearwater, or St. Petersburg, Florida. (Baggage service goes to Eastcoast Florida Station and Miami.)
4. Adirondack (68-76/63-69) - NYG-MNT-NYG - no baggage car. Pets may not travel into or from Canada (pet may travel only within the U.S.A.)

For further assistance in determining whether baggage service exists at a particular city on a train's route see Baggage Circular #6 under specific train number.

NON-AMTRAK ROUTES

The following is a list of cities where pets may not be checked as baggage on the Southern Railway System:

Concord, NC	Manassas, VA
Culpeper, VA	Monroe, VA
Eutaw, AL	Poplarville, MS
Gastonia, NC	Purvis, MS
High Point, NC	Reidsville, NC
Lexington, NC	Slidell, LA
Livingston, AL	Thomasville, NC

Southern's handling of pets as baggage are slightly different from AMTRAK's. Southern bases their charge on the first class passenger fare, a minimum of 50 pounds gross weight; this is then scaled to a table in the Southern Baggage Tariff.

The Denver and Rio Grande Western Railroad permits pets in private room accommodations only. Dogs or other pets will not be handled in baggage service.

Issued 1/30/76
 Cancels 4/30/75

NAPC-135 (1/73)

Correction
 No. 0292



RESERVATIONS MANUAL

Bulletin
Number705 - TRAVEL WITH PETS AND ANIMALS (contd)NON-AMTRAK ROUTES (contd)

As an added note of information on the Chicago, Rock Island, and Pacific Railroad pets may accompany passengers in private room accommodations operating only on the "Peoria Rocket".

On the Canadian and Mexican trains, pets may also be checked only as baggage. Mexican travel of pets requires a health certificate indicating current rabies and distemper shots. This certificate must be stamped by a Mexican Consulate before travel into Mexico at a small additional cost.

BUSES

Pets (except for seeing eye dogs) are not permitted on any buses. This includes charter buses operated solely for AMTRAK passengers. Passengers with pets must provide their own transportation on such routes to their final destination.

RESERVATIONS PROCEDURES

In making reservations for people planning to take a pet with them, there is one very important point to remember: Is there baggage car service to the passenger's destination from his intended boarding point. As the procedures stand now, no baggage car, no pet. Baggage Circular #6 and supplements is the final source for this information.

COST AND LIABILITY

The charge for coach passengers to ship a pet in baggage service will be the AMTRAK excess rate shown in table A of Baggage Edition #2, subject to a minimum collection on 50 pounds or \$3.00, whichever is greater.

AMTRAK liability for a single shipment of cats or birds in crates or cages, including empty crates, shall not exceed \$25.00 each, with no excess valuation allowed. The liability limit for one or more dogs in one crate is \$25.00, unless excess valuation is declared when the pet is checked. Excess valuation will be charged at the rate of \$1.00 for each \$100.00 value or fraction thereof; a maximum valuation for one crate is \$300.00.

Issued 1/30/76
Cancels 4/30/75

NAPC-135 (1-73)

Correction
No. 0292

Mr. ROONEY. In your criteria report, Dr. Jacobs, you mentioned that the goals of Amtrak appear to be conflicting and you say on one hand Congress states that they want an intercity rail passenger service whereas on the other they called for a for-profit corporation.

I have two basic questions: (1) How do you reconcile these goals? and (2) because of the present economic conditions, should Congress change its policy and give more weight to the economic rather than the social implications?

Mr. JACOBS. I would like to distinguish, to begin with, between the long run and the short run. This follows on the question that you asked the Secretary which is close to this question and his response to this question. That is, when Amtrak came into being it inherited a set of equipment that was old and not well cared for and in very bad condition.

It inherited a track system with roadbed that in the eastern part of the United States and other parts of the United States was not in condition to carry passengers, and because of that, the fact that it could not provide decent service or the service that it would like to have provided to the American citizens—they were being badgered continuously by passengers for what we all believe to have been very bad service, and then we had a very bad esprit among our work force.

Now, there has been an attempt of the management and the Board to upgrade all these various components that are required for a first-class passenger service, and this will take time.

I thought when you were asking me that question you were going to tell me about the daily letters that you get. You know as well as I there are frequent breakdowns.

Mr. ROONEY. There was a 4-hour breakdown between Philadelphia and Washington yesterday.

Mr. JACOBS. But very frankly, these sorts of things are on the upgrade; that is, the service is improving and that is very important to understand. New equipment has been ordered and some of it is on the road now. Others are coming on every day and more is on the production line. We think that the work force has been improved. We think that the problem with the maintenance of the equipment is being improved.

We at first contracted for maintenance. We are now starting to get control of our destiny. That means that some of the deficits that we see will be eradicated by improved service, but that doesn't mean that these passenger services in the long run will ever be able to turn a profit. It is our belief that an intercity passenger service that is nationwide will be a deficit service. It will have to be subsidized in some way by the public, because we see this in every country that has passenger service.

This is not a private corporation in the sense that it is owned by stockholders who expect a profit. It is a quasi-public corporation and the major question that faces this body as well as the Board of Directors is what level of deficits are approved to maintain an intercity passenger service in this country.

Mr. ROONEY. Mr. Hefner, do you have any questions?

Mr. HEFNER. I think you answered my question about the dog. I have no questions, Mr. Chairman.

Mr. ROONEY. Dr. Jacobs, would it not be better to have to develop an intermodal system of transportation in which the aspects of passenger service coordinate with the other modes of passenger service, rather than head-to-head competition between the various modes like you have today.

Mr. JACOBS. Actually, I would like both. I believe that there ought to be competition in transportation. At the same time, I do believe that there ought to be a cooperation among the various modes so that the public can be best served. But I don't want to eradicate all competition. I think it is beneficial to have alternate modes available to the consumer.

Mr. ROONEY. My next question is why are the bus companies in this country making so much money and at the same time you are losing so much? Here you have private enterprise versus government. Perhaps I should direct that question to Mr. Reistrup.

Mr. REISTRUP. I think it might better be addressed to the bus people when they appear before you. Our most recent figures showed that on handling passengers, even the buses are losing money and they are making it up in the package express and so forth.

Mr. ROONEY. I don't understand that. Would you explain that a little further?

Mr. REISTRUP. I may have some figures with me. I did see some figures that showed that the passenger portion of the bus operation is not profitable. I would think that the bus people could tell you whether that is right or wrong. They know their figures better than I do, but I was made aware of that.

It is very difficult to make money in the passenger business. Eastern Airlines is an example of this.

Mr. ROONEY. Forget about the airlines, let's get back to the buses. The buses do nothing other than deliver one body from one area of the country to another, so it is a passenger service and they are making money.

Mr. REISTRUP. They have a very extensive freight business of small packages and mail and so forth.

Mr. ROONEY. Have you ever thought about that idea?

Mr. REISTRUP. Not until recently. Amtrak was set up basically to be a passenger service and it was felt that one of the reasons the rail passenger service was not good in this country prior to 1971 was that so much of the activity was in handling mail and express, baby chickens, nursery stock for gardens, and so forth. Since Amtrak has a purpose and appears to be here to stay, Amtrak did enter into the mail business. The business is growing every year, and we are handling U.S. mail where it does not adversely affect the passengers. And also to a minor extent we are in the package express business.

Perhaps we have not been aggressive enough, but the Congress has to determine the destination of Amtrak before we go too far in that field. Our basic business is passengers.

Mr. JACOBS. In one way or another, all modes of transportation in this country are subsidized. The interesting thing about Amtrak is the subsidy is out front. You can be sure what it is with a fair degree of accuracy. I think that it is difficult to do with other modes of transportation, which are subsidized in different ways. I am not sure what the level of subsidy is between these various modes.

I think it would be a worthwhile area for study. We ought to study things a little more, but I think certainly that on something that has a high social priority as transportation does in our Nation, that we ought to try to study the total subsidy of the various modes of transportation.

Mr. REISTRUP. I think this bears checking. My figures are that \$145 billion or so in highway expenditures since 1921—in total, all through the past years—have not been recouped by the trust fund investment—

Mrs. HEAD. It seems to me there is an answer to the question of why we aren't able to make money when the buses do. We came into being with this shambles that we inherited and tried to run a passenger service with all the old cars and track—we were forced to take what was there. There were no open production lines where we could order new cars. So by the time we got geared up we were just getting new equipment.

So it is not fair to compare one mode with another in terms of marketability when we have had nothing to market. We know it is not something that many people would choose as it is now. So I think that once we get into where it is a choice for a passenger when they are forced back to the train because of the gasoline shortage, we want that experience to be good enough that they are going to come back voluntarily. But they are not going to do that unless the equipment is good, there is some reasonable schedule and the ride is comfortable.

Mr. ROONEY. We were doing a survey on Amtrak's operation in Seattle last year and it cost my committee \$20 to send a 1-pound box from Washington to Seattle. So maybe you ought to explore that a little more.

Mr. NEUSCHEL. I think you have raised a very fundamental question that we ought to be trying to answer as a Nation; that is, indeed what is the true cost of various forms of transportation. There have been a number of studies done, although I am not aware of a definitive study which truly lays out the cost to the total American economy of various forms of transportation. I know if you look at the surface cost it will say one thing, but I am not sure that that reflects the true cost. I do believe that at some national level we ought to look at the true costs before we commit ourselves to developing a great deal more on rail transportation and highway transportation. We need to find out what is the best thing for us as a Nation to do and I don't think those facts have surfaced in a definitive study.

Mr. ROONEY. I recognize the gentleman from North Carolina.

Mr. HEFNER. Thank you, Mr. Chairman. This is a hypothetical question. If you were equal in equipment with the buses and your track was up to date, in your opinion could you compete and make money on an equal footing with the bus people?

Mrs. HEAD. Because railroad costs are so difficult to keep down, our other hope for improvement in this deficit or cutting the deficit is to raise the revenue. I do think we could raise the revenue considerably because given the good track and good service, people do seem to want to ride the trains.

When we put a new train on from Chicago to Detroit, the ridership went up 70 percent a month. I think people prefer trains to buses in

some cases because they are not confined to a chair. But I do think that the Congress should make that decision about whether Amtrak should continue runs which are competitive. But I don't think the judgment should be made before we are competitive in the marketplace.

Mr. JACOBS. The board has attempted to redesign equipment as an attempt to hold down costs and to give the operational aspects a chance to develop better revenue figures.

Mr. HEFNER. As to buses carrying small parcels, do you think there is a way for Amtrak to carry this type commodity that would add to revenue and would not be a financial burden?

Mr. JACOBS. We do now handle some of this traffic and we are trying to build it up where we think the route is going to stay in operation. We found that we are spending much less money in handling the traffic than it cost us to provide the service. Additional expenditures of \$50,000 were spent in our most recent study to handle the business. We already have the people in the station, and so forth. We have not been as aggressive as we might be, but our basic interest has been in the passenger business, and we think this should be a byproduct. The board reviewed this business and it really is a byproduct.

Mrs. HEAD. Our main goal is to be a passenger service, so if we have to cut costs everywhere, it is justifiable to put out a big advertising budget trying to attract passenger service.

Mr. HEFNER. One other question: You mentioned the advertising budget. What are you budgeted for advertising for Amtrak?

Mr. REISTRUP. Roundly \$25 million per year now. It is about 2 percent, roughly.

Mr. NEUSCHIEL. 1.8.

Mr. HEFNER. Is that commission to an agency?

Mr. JACOBS. It is right now on the basis of a competitive bid and the selection of a new agency this past year—it is in the hands of an agency named Needham, Harper & Steers. They also handle McDonald's hamburgers. We figure, if they can sell 16 billion hamburgers, they can get people on the train. They do not handle our package express, however. That is in the hands of a different agency.

Mr. HEFNER. Would that be better consolidated with one agency than having two agencies?

Mr. JACOBS. I believe so. We have a contractual time we have to live out.

Mr. ROONEY. Mr. Santini?

Mr. SANTINI. Thank you, Mr. Chairman. I didn't have an opportunity to share your testimonial comments and perhaps this issue is covered and if so, please excuse me. I would like to review your financial status for just a moment now.

What was the cost of operation versus profits versus bottom line operation in the last fiscal year?

Mr. ROONEY. If the gentleman will yield, there were no profits.

Mr. SANTINI. Somebody must have been taking it in.

Mr. REISTRUP. I don't have the financial data before me. As I recall, it was \$328 million, but we will provide you with the precise figure. I get mixed up between calendar and fiscal year. We do our books on both bases and we have to because we report to the ICC as a railroad,

so we do an annual one which we have just finished and we do the fiscal year.

Mr. SANTINI. Do you have the 1973 figures?

Mr. REISTRUP. Not with me.

Mr. SANTINI. Do you have the 1974 figure in approximation?

Mr. REISTRUP. No, I can tell you that up through 1973 the deficit did not grow significantly. With the huge increase in ridership in 1974, the deficit skyrocketed and then it tapered off.

Mr. SANTINI. That seems anomalous to me.

Mr. REISTRUP. The answer was that the riders came at the time when we were already at the peak of our ability to use this old and dilapidated equipment, and as we tried to use it more intensively, it broke down and service deteriorated. We had a large increase in ridership, which we weren't prepared for. The new equipment wasn't there.

Mr. SANTINI. Does anybody know what the 1974 deficit was?

Mr. REISTRUP. It was roundly \$275 million, plus or minus, but we will supply you both the calendar and fiscal year deficits for those years. Had I know we would get into this data, I would have had a budget man with me.

[The following table was received for the record:]

REVENUE, EXPENSE, AND DEFICIT FOR THE CALENDAR YEARS 1971-75—NATIONAL RAILROAD PASSENGER CORP
(In thousands of dollars)

	1971	1972	1973	1974	1975
Revenue.....	\$101	\$162	\$202	\$257	\$252
Costs.....	196	309	360	529	606
Deficit.....	95	147	158	272	354

¹ Reflects operating results from May 1, 1971, through Dec. 31, 1971.

Mr. SANTINI. I am very much interested in trying to do whatever we can legislatively to be of assistance to you, because I think the passenger service represents the key to travel versus the private automobile in this country.

Have you had an opportunity to review the President's budget forecast with regard to the Amtrak appropriation?

Mr. REISTRUP. Yes, sir, I have, Mr. Santini.

Mr. SANTINI. What would be the impact if the budget forecast were adopted by the Congress with regard to the future operation of Amtrak?

Mr. REISTRUP. The route structure would be significantly reduced. The budget reduction would be in the neighborhood of \$82 million in operating budget. In order to comply with the congressional mandate that this be an intercity system in the U.S., we would have to tie together the United States in a skeletal system, and that is about all that would remain, plus the Northeast corridor. The only routes that remain would be run from the East Coast to Chicago via Pittsburgh over the Broadway Limited route; the route from New York to Florida, a line from Chicago to Los Angeles, one from Chicago to Seattle, one from Chicago to New Orleans and then tying those together, New Orleans to Los Angeles and on up to Seattle. The only

remaining operations would be those that are subsidized by the States, the 403(b) operations. That is all that would remain.

Now, that was just our staff effort at seeing what might happen in complying with the law as we interpreted it and yet stay inside that budgetary constraint.

Mr. SANTINI. Is this \$82 million figure consonant with the recommendation that you made to the Department of Transportation, to OMB for the fiscal needs that you would have?

Mr. REISTRUP. It is substantially lower. We estimated \$440 million would be the required appropriation for the fiscal year 1977. You, see, ference, really, is the inflationary pressure to a large extent. You, see, when the cost-to-revenue ratio is 2 to 1, which is the nature of this business, and with high inflation, particularly if you get to double digit inflation, the costs at Amtrak go up some \$70 million a year. This is impossible to recomp from the fare box, short of being counterproductive and chasing away more passengers than we have riding the train.

We try to raise the prices as far as we can and not be counterproductive; to get as much money out of the rider as we can and still have some kind of increase in ridership.

Mr. SANTINI. What reduction would the implementation of the tentative 1977 budget have in terms of percentage of service you are now offering?

Mr. REISTRUP. It would reduce the route mileage considerably more than it would the effect on the number of passengers handled because the Northeast corridor is about 40 percent of our business. So the people affected would not be so great as the route mileage, but the route mileage reduction would be something on the order of 19,000 miles, as I recall. I would want to doublecheck that figure also. That is a little high. It is about 25,000 miles now and more than half of it comes off. So it would be something on the order of let's say a 10,000 to 15,000 mile reduction.

Mr. SANTINI. Which would be what, 35 percent of the existing miles that you are now serving?

Mr. REISTRUP. More than that, more than half. I will get exact figures and provide you with the exact mileage reduction.

[The following information was received for the record:]

ROUTE MILES OPERATED

- (1) Total route miles operated = 25,408.
- (2) Number remaining of routes noted in Secretary Coleman's letter were dropped = 13,895.
- (3) Total number of route miles dropped = 11,513 (45.3%).
- (4) Floridian cost break out attached.

Mr. SANTINI. Can you predict the job loss that such a reduction would result in?

Mr. REISTRUP. 4,000 Amtrak jobs and 5,000 railroad jobs—it will be hard to estimate precisely the railroad jobs, but that is pretty close.

Mr. SANTINI. Did you have an opportunity at all to read an interesting article in the Rocky Mountain News that dealt with the trip the Denver Zephyr took on the Amtrak line?

Mr. REISTRUP. Yes.

Mr. SANTINI. I don't think the Lewis and Clark expedition had a tougher time getting through. Are those problems indigenous to your attempts to cut costs and the use of old equipment, and is there anything now being done to rectify the problems?

Mr. REISTRUP. I would say—and my colleagues can comment too—I think it is more the old equipment than it is the cost-cutting effort because we really have been trying to give attention to maintenance. My last ride on that train from Reno to Omaha unannounced was almost perfect, although we did have a steam leak. But fortunately it wasn't bad enough to have the train freeze up, but the next train might have been in trouble.

The cars are about 25 years old, and in cold weather with high winds, it is almost impossible to heat them and once they begin to freeze up, the whole train can get frozen. So it is basically the old equipment.

What I would suggest to the Congress is that in weighing Amtrak's future that it protect the investment that it has made already. You have invested in 792 cars, very few of which are yet running. 115 of them, the new Amfleet cars, are all that are involved today of the new equipment which has been delivered out of an order of 492. Until those new cars are out in the land and people are riding them, I don't think we have a true test, nor do we have the full test that the new Amfleet brings us—lighter weight—55 tons compared with 70 for an old car—and also up to 74 seats compared with as few as 40 seats in our old coaches. So the energy cost per passenger mile and per seat mile are greatly reduced.

Mr. SANTINI. Have there been any efforts by Amtrak to invite business entities or municipalities within counties you are now serving to involve themselves in promotion of package tour programs, which would hopefully add an outside business stimulus to travel on your trains?

Mr. REISTRUP. We have done a good bit of tour promotional activity and in some cases tied it to having an automobile available at the end of the journey.

Mr. SANTINI. Such as the New York—Florida?

Mr. REISTRUP. But also now in Texas, "Week on Wheels" and we have them all over the country and some of these do involve combined activities with the localities. I am thinking in particular of the Williamsburg area where there is always a cooperative effort.

I would say that we probably have not done as much of this as we could in many locations. It is a big country.

Mr. JACOBS. But it also really waits upon the advent of this new equipment which will give us something to crow about and to provide the sort of convenience and service that the customer will enjoy.

Mr. SANTINI. Under your present timetable, when will the 729 service be involved?

Mr. REISTRUP. Mid 1978, all of them.

Mr. ROONEY. Would you say that equipment that was purchased 2 years ago was relatively new or new?

Mr. JACOBS. Absolutely new.

Mrs. HEAD. Most of our fleet is 25 years old.

Mr. ROONEY. What are you going to do with these one-bathroom sleeping cars?

Mr. JACOBS. The board debated at the time of ordering, and the final configuration on those cars—these are bi-level cars—is not fully determined. We are now awaiting the determination of whether or not we can run them as sleepers. Very frankly, there was some concern that, with the standards that are imposed on waste disposal, whether or not we should have sleeper service on transcontinental service.

Mr. ROONEY. Why did you order them?

Mr. JACOBS. They can be converted to coaches prior to the time that the final decision is made.

Mr. ROONEY. None have been delivered?

Mr. JACOBS. Not until January 1977. The sleeper is basically designed similar to the slumber coach in earlier eras. The restroom problem really revolves around the environmental controls which now, in the rail reorganization legislation, have been changed.

We are seeing if we can't make a last-minute change to adjust to the possibility. However, you run the risk that the environmental constraints will be changed back again and once the car is built it is not the time to be putting in what we call the "contained toilets." To have one of those chemicals appurtenances inside a sleeping room is, I think, beyond consideration. It is just a different car from the old sleeper, which was really of a different design. There is more than one restroom in this new sleeping car, I should add.

If I recall the design, there were at least six, and they were on the order of dressing rooms as well as toilets.

The railroad will be hampered by any legislation which does not allow us to have the sleeping car-type accommodation that the American public is used to on the rails in the future. We were very concerned about this.

Mr. ROONEY. I thank the gentleman from Nevada for yielding.

Mrs. HEAD. The Busch Gardens people and Williamsburg people down there have been trying to find ways to get people down to their area because they are expecting added millions of people and they can't get any more cars in their parking lot. So here they are, ready to bring them down, and don't have any equipment. So we are limited by this number of cars that we have and we cannot do anything else.

It is very frustrating when you have that opportunity and a local business that wants to help and you can't respond.

Mr. SANTINI. Unless you could persuade Williamsburg to have a train.

Mr. HEFNER. If you had all the money that you needed, could you obtain cars now? They are not available, are they?

Mrs. HEAD. They are on order now.

Mr. HEFNER. Equipment is not available now if you had all the money you needed?

Mr. JACOBS. There is a long leadtime between ordering and production.

Mr. HEFNER. Would the gentleman yield further?

You say you have a 4-year leadtime when you purchase. What kind of contracts do you get? In 4 years, the price increase is 8 percent yearly, and that is 32 percent more.

Mr. REISTRUP. With the Budd Co. order, and those are for the 492 single-level high-capacity cars: that is a fixed-price contract and it

was in increments. However, there was an order of 57 and an order of 200, an order of 35, and the last was an order of 200. That last 200 was fixed-price. The Pullman-Standard order, 235 bilevel cars, is with an escalation in it. The car companies, some of them, have gone out of business, particularly in the commuter car area because of this long leadtime, and they just stopped producing. St. Louis Cars is no longer producing. AFC used to produce passenger cars, but they are out of business.

It is very hard to get someone interested in building a railroad car.

Mr. HEFNER. It is not exactly like Defense contracts.

Mr. SANTINI. Both the ICC and the Department of Transportation criticized the criteria for discontinuances of routes, because at no point would the criteria be raised, in any type of objective manner, to rank the routes. After the ICC and the DOT, you did not specifically have a ranking system set up.

Did you submit this criteria to Congress, which would illustrate to us in some fashion or another a ranking of the routes?

Mr. JACOBS. The Secretary of Transportation testified that he heartily endorsed the criteria that we did recommend, and what we have done is we have developed a process for ranking which we believe does give you a ranking procedure.

Mr. SANTINI. There seems to be a list of criteria, but I hardly think they represent a ranking criteria. It doesn't afford any basis for applying a qualitative judgment. As I recall, the principal shortcoming is the apparent failure to offer a specific method for ranking routes in their order of priority. Although the application of the final criteria to each route and train will enable a ranking system to develop, we think that some effort should be made by the Amtrak board to define what such a ranking system may be and what use it may have.

One of the purposes, it seems, would be to inform the public, and certainly the legislative bodies, of the way the Corporation intends to move in expanding or contracting the national system.

Mr. JACOBS. The Board wrestled long and hard with an attempt to develop these criteria, and we are firmly convinced that there is no uniquely correct way to rank, and if we tried to find one formula as a ranking formula, it would be criticized on a number of grounds. There are too many variables on this type of determination to choose one that is uniquely correct.

The Board, therefore, developed what they believed to be a process for ranking that takes into account the various variables that must be included in this procedure. We believe that we have come up with a process for ranking that will give us the sort of decisionmaking ability that is required to optimize the system.

Mr. SANTINI. You have given us 22 considerations that we could reject or accept without any suggestion of priority. Even the board concedes that a ranking system without priority would be, with the preoccupation the Congress imposes, rather difficult for us.

Mr. JACOBS. I would suggest that it would be interesting at this point to look at Exhibit 5 in the legislating criteria. If the answer is yes, then the recommendation is to continue. If the answer is no, then we have to ask a further question. Are the future economics satisfactory; that is, let's look into the future. We don't want to discon-

tinue a route that will turn out to be socially or economically desirable in the future. If the answer is yes, then we continue with the concerns for the future that may cause us to change in some way. But if the answer is no, we don't want to say, "Are there any ways that we can make this service justifiable on economic grounds?" Are there ways that we can upgrade, can we promote, can we change frequency?

If we do something that will allow this to become an economically feasible route and if there are, then we will revise the service in this way and continue the route.

But if the answer is no, then we go on further and we ask the question, "Well, before we recommend that this service be abolished, what about the social and environmental considerations and benefits from this route?" We then try and assess the value socially and environmentally.

If the answer then is that the social and environmental benefits override the additional cost, then we will support continuation. If, however, the answer there is no, then we would recommend discontinuance of the route.

We think that is a process by which we can take into account the various factors that impinge a service such as Amtrak which is not fully private but does have social and environmental characteristics to it.

Mr. SANTINI. Who is supposed to engage in this metaphysical exercise in judgment? I don't know that too many members of the committee or the Congress can assume the burden.

Mr. JACOBS. What is really important here is this set of criteria forces the Amtrak management and the Board to gather that data to make the determination about economics in step 1; to make the determination as to the forecast of the economics in the future, step 2; then go on to step 3, to do the demand forecasting and the other things that have not been done very well prior to this time. Then, to take into account—in a very concrete way to set down in an orderly fashion the social and environmental benefits, and, frankly, if none of these are known, to make the hard decision and say this route should be discontinued.

Mr. SANTINI. Are you going to put together a proposal that will encompass this process in specific terms?

Mr. JACOBS. Absolutely.

Mr. NEUSCHEL. In the beginning, the Board gave serious consideration to a mechanistic approach which, in effect, would have established something similar to a job evaluation system; that is, for certain performances or conditions of the route you get certain points and that you add it up, and if it equals more than 250, you kept the route. Less than that 250, you got rid of it.

A lot of thought was given to that, and the difficulty is that in all the wisdom of the board, it was unable to say what is the exact qualitative relationship. You do something of a comparison between the energy or the low pollution to the atmosphere, as compared to the profits or loss of the route and none of us were able to decide that you could have a precise relationship and, therefore, in order to get around that problem, which I think is similar to some of the complexities

that you face in the House and the Senate when you have many different pressures, many different points of view and constituencies, as the board does here, to try to balance them. It is pretty difficult to weigh the pros of one segment versus the cons of another.

You can't get it into mathematics, as there is no reasonable way to do it here. As a result, the board elected—and I think it was the only sensible way to go—to set up a process that would, for instance, examine five so-called economic criteria. If you look at those economic criteria for which the board was going to then set standards, and these standards will be set, for instance, with financial contributions for revenue passenger-mile, is the board willing to accept in terms of a deficit.

Second: What kind of total financial contribution makes sense from an economic point of view?—and to go on and ask: What is the financial impact of continuing part of this system, the cost of additional investments for a new route or new service on a route—and finally: What is the return on that investment?

By forcing the management to go through that process, the board can rank the routes in terms of their relative economics; and obviously those which tend to be at the bottom end of the economics are the ones you would not keep on an economics basis.

On the other hand, you will not be fair, because a couple of the routes that do not show up good economically are terribly important for some social reasons; therefore, it seems that there is no sensible way to say, for any criteria, you would simply eliminate it, on the ground that you would be creating grave injustices to some segment of society.

So the board will be involved at the key points throughout the process and will exert a judgment where judgments have to be exerted. However, they are going to do it with an awful lot of facts, and I think that is the important part of the process. Does that help to answer the question any?

Mr. SANTINI. Some.

Mr. JACOBS. What really is important here is that for the first time, the board is forced to gather this type of information that is required to make a reasoned judgment, and that we won't be flying by the seat of our pants or skirts.

Mr. ROONEY. I will now recognize the gentleman from Kansas. But before I do recognize him, I want to compliment him for reassessing his decision to resign as the ranking minority member of this subcommittee, because, Mr. Skubitz, you have contributed much to this committee, and I am very happy that you have made this reconsideration. I am very happy to see you back again with us in 1976.

Mr. SKUBITZ. Thank you, Mr. Chairman. I am sorry the television folks aren't here right now. How will my constituents ever know that I am back here?

Mr. REISTRUP. I don't apologize for not being here, because I hadn't intended to come in the first place. The gas bill is on the floor today and that is of vital importance to me and to my constituents, both producers and consumers. But the word came over indicating that Mr. Rooney was here alone and because of my deep affection for the chairman, I felt I should come over and make an appearance.

Mr. Reistrup, I tuned in one evening on—I believe the program was Issues and Answers—in which you were part of the listening audience. Mr. Currey, from the Greyhound Co., was there.

Mr. REISTRUP. Mr. Currey, is from Continental Trailways.

Mr. SKUBITZ. He talked so fast and so often I couldn't even get his name. There were a number of questions raised during that discussion that I had hoped he would permit you to at least attempt to answer, but he chose to answer them himself.

I have listened to the discussion here, Mr. Reistrup. I haven't had a chance to read the testimony, but I want you to know that as one member of this committee, I frankly don't expect you to make any money. I thought we made that pretty clear on the floor when we had the Amtrak bill up once before.

A lot of the arguments when we created Amtrak were that it was for profit. I tried to make clear that I doubted very much Amtrak would be a profitmaking organization, but I thought there were service features involved that justified the Congress supporting Amtrak. I still feel that way.

What I expect the Amtrak people to do is cut down on some of the expense in the operation so that we don't have these large deficits that are building up. With that, I would like to ask that question: What have you done about cutting expense?

Mr. REISTRUP. We have done a considerable job, and I think we can do even better as we begin to get more and more of the new equipment, so that we do not have to—cannot be—really wasting our money and the taxpayers' money patching up the junk that really shouldn't be running anyway.

But we have taken out during this recessionary period a sum of \$28 million in round numbers from our operating budget. We are running way under our revenue projections, because ridership is below what we projected, and we have been able to make ends meet and not come back for supplemental appropriations.

We are trying to take out an additional bite right now. Our actual budget reduction for this year, which the board approved, was \$20 million.

We have done such other things—and this is peanuts—but we have closed the executive dining room. That doesn't save much money, but it is apparent to everyone in the Amtrak management that we are not going to have that kind of thing.

Mr. SKUBITZ. That sounds about like President Johnson turning out the lights in the bathroom.

Mr. REISTRUP. We have made a considerable reduction in the on-board service crews. When I arrived on the scene 11 months ago, the crews were pretty much based on the size of a dining car and the train, not on how many people were on it.

I recently rode a train that had only two waiters in the dining cars, and there are some that even have one. When we have heavy passenger loads, we expand the crews. We have been trying to adjust the crew levels to the passenger load.

If we get down to one coach on a train and it fails along the way, then there is no place for the passenger to go with the proper heat or airconditioning. So we are running many "insurance" cars in the trains. I can show the number of these to you, just so if there is a failure, we can move people into another car. I would say that in assessing the leverage that is available to us, we are talking probably 15 percent.

I would like to see another 15 percent come out that would get rid of the deficit.

I know the Department of Transportation believes that if we invest the money on the Northeast corridor we can begin to return not only the operating costs but the capital there.

Mr. SKUBITZ. Have you had any conferences at all, and if so, how many with the Post Office people about hauling the mail? It couldn't be any worse than it is today.

Mr. REISTRUP. I have met with the Postmaster General personally with the head of our marketing group.

Mr. SANTINI. If the gentleman will yield on that point. You have your example set in your executive dining room. You might persuade the Postmaster General that would be a nice example, too.

Mr. REISTRUP. We have a man in charge of our mail activity who is very well qualified, and he is in constant contact with the mail people. Our business is growing.

Mr. SKUBITZ. Are you hauling any mail at all?

Mr. REISTRUP. Yes, roundly \$6 million worth a year in revenue for 1974 and about \$7.5 million in 1975. It could be a lot more. We have tried, and the Board has agreed with me, to spend our time and money improving the ride of the passengers, rather than on the cars to handle the mail.

Mr. SKUBITZ. I have no objection to that, because I think, as a matter of reducing expenses, that this is one area where the Government should operate as one, rather than two different entities. I think there is definitely a place in here for the hauling of the mail. I like the ways they do it in England. They stop at a station and the mail is on and off just as fast as any passenger.

This can easily be done. I don't want you to stop and pick up milk cans or things like that. If you need some help, I would like to chip in, because I have no use for the Postal organization, anyway. I think the best vote I ever cast was when I voted against the Postal Authority.

Mr. REISTRUP. We are planning to do better, and we will ask for your help.

Mr. SKUBITZ. All this talk about new equipment sounds fine, but I don't buy it. I think the new equipment is necessary, but I don't see it as the key to your problem. I think the key to it is repairing the tracks. I don't see any sense in buying trains that go 150 miles an hour on a track that will only permit 10 miles-an-hour operation. The old trains are good enough for that.

What are you doing about fixing up the roadbeds?

Mr. REISTRUP. About 40 percent of Amtrak's operation is on the now-bankrupt Penn Central, which will be reorganized probably April 1st into ConRail, as part of the legislation that both Houses approved. We, I think, have made jointly measurable progress with Penn Central in this past year. We will be reducing the running time on the Broadway and the National Limited.

We have some railroads that have not lived up to their contractual agreement in maintaining the track, and we have taken legal action in those cases. The work is proceeding on one line and I am told that it is just about on schedule. Where it is off, they are doing a little more work than we had programmed of a different type, but in effect, they are carrying out the project.

Mr. SKUBITZ. Would you care to list the railroads that are giving you difficulty?

Mr. REISTRUP. Well, I can tick off some of those that we have had difficulties with: Penn Central was number one. We have some problem with the Boston & Maine. We have frequent washouts up there. Illinois Central Gulf, which was part of an arbitration decision. We have had some difficulty also on portions of the Chessie System. We run on what used to be a freight railroad there, and we are detouring from the Penn Central. There have not been passenger operations on that track since 1948.

Mr. SKUBITZ. I don't expect a railroad company to go out and try to repair their track in order to have passenger trains. I have said that time and again. I think they have an obligation to keep their tracks up where they can operate an economic rail system; anything above that is to get the tracks fixed.

I hope to take a look at it. If you don't get any help from the Secretary, let me know about it, will you? I happened to pick up a copy of "Forbes" magazine, dated December 15, 1975, and I am going to read to you because I am going to ask you a question right after that.

Every evening at 9 o'clock Amtrak's Floridian leaves Union Station in Chicago. It clicks along at about 40 miles an hour. Real carnations are on the dining table and you can get a full-course dinner for \$6.45.

After 22 stops and 37 hours, the 12-car express pulls into St. Petersburg, Florida. By the time the traveler gets there, a plane traveler would have enjoyed a day and a half of sunshine and fun. Not surprising, only about 200 through-route passengers ride the Floridian on a typical day.

I can understand that, but your new equipment is not going to solve the problem. You are still going to run at 40 miles an hour. Whenever someone shells out \$120 for a Chicago/St. Petersburg run, Amtrak is subsidizing his trip to the tune of \$264. The Government could save money by giving each of those unhurried customers first-class air fares, plus \$100 to spend at the beach.

I don't expect you or the planes or the buses to keep up with Amtrak. This is a mode of transportation that would help us in the field of energy and mass transportation so we don't have to lay thousands and thousands of miles of slab while we can get people off the road and back on the train.

You are not going to do that until you get the trains moving. I would like to know if every seat on the Floridian that left Chicago was booked first-class, second-class if you have it, standing room, reserved seats, pullman, roomettes, from Chicago down to St. Petersburg would you make any money or would you still operate at a loss. There is no sense attracting any passengers on that train if it is operating at a loss. This new equipment goes out the window at this point. Any more passengers might reduce the losses some, but you still couldn't operate at a profit; isn't this correct?

Mr. REISTRUP. That is correct.

Mr. SKUBITZ. I want you to list for me for the record what the cost breakdown is that causes us to suffer the loss.

Mr. REISTRUP. We will do that.

Mr. SKUBITZ. I don't think this committee could be helpful to you, or I don't think you will be able to explain to those people that there are some phases of this that you can't change without either legislating or new conferences or new contracts or what-have-you.

Mr. REISTRUP. We will provide information.

Mr. SKUBITZ. When can we get this into the record?

Mr. REISTRUP. I would say in 1 week's time. We have just been going over a lot of this data; for instance, maintenance of equipment expenses that we pay to the railroads for their doing our work.

Mr. SKUBITZ. Would you break this down?

[The following information was received for the record:]

**PROFIT AND LOSS AND EXPENSE COMPARISON
THE SOUTHWEST LIMITED VERSUS THE FLORIDIAN**

Figures are provided for both the Floridian trains (Chicago-Florida route) and the Southwest Limited trains (Chicago-Los Angeles route), for comparison purposes.

ROUTE PROFIT AND LOSS COMPARISON: THE SOUTHWEST LIMITED VERSUS THE FLORIDIAN—FISCAL YEAR 1975

	Southwest Limited	Floridian	Dollars per train mile	
			Southwest Limited	Floridian
Revenues:				
Transportation.....	\$17,958	\$4,200	\$11.07	\$3.59
Food and beverage.....	1,598	570	.98	.49
Mail and express.....	861	1,203	.53	1.03
Total revenues.....	20,417	5,973	12.58	5.11
Route expenses:				
Direct route expense:				
Train.....	15,858	10,145	9.78	8.68
Facility.....	2,149	1,710	1.32	1.46
Route allocated expenses:				
Facility.....	3,668	1,611	2.26	1.38
Equipment maintenance.....	3,264	3,681	2.01	3.15
Depreciation.....	788	552	.48	.47
Other.....	388	2,280	.24	1.95
Total route expenses.....	26,115	19,979	16.09	17.09
Route contribution to corporate overhead.....	(5,698)	(14,006)	(3.51)	(11.98)
Corporate overhead.....	6,529	4,995	4.02	4.28
Profit (loss).....	(12,227)	(19,001)	(7.53)	(16.26)

DETAILED COMPARISON OF EXPENSE: THE SOUTHWEST LIMITED VERSUS THE FLORIDIAN

	Fiscal year 1975 expense		Expense per train mile	
	Southwest Limited	Floridian	Southwest Limited	Floridian
Direct route expenses:				
Train:				
Amtrak on-board services:				
Salaries.....	\$4,805	\$2,325	\$2.97	\$1.99
Benefits.....	1,204	582	.74	.50
Supplies.....	1,682	367	1.04	.31
Other.....	372	136	.23	.12
Railroad:				
Enginemen (train).....	1,217	1,296	.75	1.11
Fuel.....	2,045	1,313	1.26	1.12
Trainmen.....	1,367	1,187	.84	1.02
Train supplies.....	1,560	1,432	.96	1.22
Employee health and welfare.....	193	212	.12	.18
Avoidable cost.....	371	321	.23	.27
Risk liability.....	30	54	.02	.05
Retirement and unemployment.....	1,012	920	.62	.79
Total train.....	15,858	10,145	9.78	8.68
Facility:				
Amtrak station services.....	1,262	262	.78	.22
Railroad:				
Maintenance of way.....	259	464	.16	.40
Transportation.....	170	470	.10	.40
Station employees.....	5	51	-----	.04
Station supplies.....	22	54	.01	.05
Servicing train locomotives.....	381	198	.23	.17
Avoidable costs.....	42	69	.03	.06
Rents.....	8	142	.01	.12
Total facility.....	2,149	1,710	1.32	1.46
Route allocated expenses:				
Facility:				
Amtrak:				
Operations.....	1,789	568	1.10	.49
Station services.....	931	562	.57	.48
Procurement.....	667	120	.41	.10
Ticketing.....	255	68	.16	.06
Railroad:				
Yardmaster and clerk.....	25	279	.02	.24
Avoidable costs.....	1	14	-----	.01
Total facility.....	3,668	1,611	2.26	1.38
Equipment maintenance:				
Amtrak (Kansas City).....	60	-----	.04	-----
Railroad:				
Maintenance of equipment.....	99	104	.06	.09
Locomotive repairs.....	914	591	.56	.51
Car repairs.....	1,932	2,710	1.19	2.32
Employee health and welfare.....	106	87	.07	.07
Avoidable costs.....	153	189	.09	.16
Total equipment maintenance.....	3,264	3,681	2.01	3.15
Depreciation:				
Car.....	429	278	.26	.24
Locomotive.....	359	274	.22	.23
Total depreciation.....	788	552	.48	.47
Other:				
Traffic.....	18	83	.01	.07
General.....	241	78	.15	.07
Avoidable.....	19	20	.01	.02
Tax accrual.....	110	90	.07	.08
Incentives.....	-----	2,009	-----	1.71
Total other.....	388	2,280	.24	1.95
Corporate overhead.....	6,529	4,995	4.02	4.28
Grand total.....	32,644	24,974	20.11	21.37

Mr. SKUBITZ. I am glad you mentioned the first year, because I took up a matter of trying to get a route out of Kansas City to Tulsa, Okla., hoping that Amtrak would wake up to the fact if they would take one railroad and prove it was profitable, it would give some of us that backed Amtrak an opportunity to say, "Look what Amtrak can do." But no, you sent a couple of bright boys down there that talked about that as if there were still 150,000 people in Kansas City and didn't figure out the potential riders all the way through.

Mr. SANTINI. Would the gentleman yield?

Mr. SKUBITZ. Yes.

Mr. SANTINI. You do not have one passenger route that is profitable?

Mr. REISTRUP. We do not have any that are making a profit. Not if you allocate expenses to the routes in addition to the direct expenses. Direct expenses are the cost of running the train, plus the stations along the route, and we do not have those runs that do make money on that basis. For instance, the Southwest Limited Chicago/Los Angeles brings in more money than it costs directly to operate the train. But when you begin covering the costs of the shop to maintain the equipment of the train, and so forth, then even that route loses money.

The Metroliners are close to breaking even, but even they are in the red at this time. They were profitable for a while, but they have run on some pretty bumpy track and they are just costing a horrendous amount to maintain.

Mr. SKUBITZ. The reason I want a breakdown is because I would like to know if we can bring the losses, the deficits in line with the costs. If we can't we are in trouble. We can't keep operating this way. I don't know any way to be helpful until we know what the costs that you have no control over are. I asked this question of Amtrak people about the route from Chicago to California and, incidentally, that was probably as pleasurable a trip as I have ever taken, because you were operating on the Western Railroad and the Santa Fe maintains this equipment on that route, also. They do a fine job of it.

But this Floridian line, I was going to make the ride once, but some of the fellows talked me out of it.

Mrs. HEAD. Even the article admitted that the Floridian is the worst.

Mr. SKUBITZ. Let's take the Chicago and California. I would like to know if both trains are booked to capacity all the way through, with the highest possible rate you can charge them, not someone getting on and someone getting off, how much will you take in now and what are your costs?

Mrs. HEAD. We will do this.

Mr. ROONEY. Will the gentleman yield?

Mr. SKUBITZ. One of your folks gave me a report, and they talked about maintenance costs and operational costs, but they didn't get down to the runs.

Mr. ROONEY. If every passenger seat was occupied on every train every day, 365 days a year, Amtrak would lose \$75 million a year; is that right?

Mrs. HEAD. That is about right?

Mr. SKUBITZ. Where do you get the \$75 million?

Mr. ROONEY. I read "Forbes."

Mr. SKUBITZ. Are some of these losses things that Amtrak can do something about, and if they are, what authority does Amtrak have to have in order to improve them, or what can the Congress do about it? It makes no sense to keep operating the way we are. We would be better off to subsidize the old railroad companies and let them take this thing over under your observing eye, Mr. Reistrup, and help make up some of their losses by subsidizing.

Another question. I was looking over the criteria and the procedures and find they are not only for the establishment of routes but for the discontinuance of routes?

Mr. JACOBS. That is correct.

Mr. SKUBITZ. I notice you break this down into three categories, economic, social, and environmental; is that correct?

Mrs. HEAD. Correct.

Mr. SKUBITZ. I kind of like that. I like this idea, but I am going to warn you a little. If you go back to the old Rooseveltian days—and I was around when they were here—and the Corps of Engineers was wanting to build dams all over the country so they wouldn't have to lay anyone off, and so we had the old line of cost benefit. You know, they couldn't build enough dams. And so, one of the wise guys down in the Roosevelt administration suggested that he had a new thought, a new dimension to it. They called those the intangible benefits.

Don't misunderstand; I am glad they put them in or we would have only one dam in Kansas. I am serious about it. These were for recreation and wildlife. If you didn't have enough benefits, then you threw in a little bit of fish and wildlife, and this kind of thing, and that brought the benefits up.

What bothers me is that when politicians get in on the game—and I include myself with this group—they go down because they get the votes that get the intangibles higher than some of the rest of us.

Are we going to get into this same rigamorola here? You have economic, social, and environmental. Which of these comes first—the economic, the social, or the environmental?

Mr. JACOBS. The process is designed to operate when we start with the economic.

Mr. SKUBITZ. What weight are you going to give the economic?

Mr. JACOBS. The process suggests, sir, that if the situation is clearly favorable, then it has 100 percent of the weight. And as you go on and the economic decline in terms of favorableness, then you ask yourself the question of, do the social and environmental benefits outweigh the cost? You are right, it is a subjective evaluation. But at least we are asking the question explicitly. That is the major value of this. It is explicit, rather than pulling it out of the air.

Mr. SKUBITZ. Good luck to you. I wish you could sit out there and make your decision, but I can assure you that there are 535 that are putting a burr under your saddle to raise up the environmental and the social ones if the economic is not enough.

Mr. ROONEY. In section 403 of the act, when you talk about the economic factors that Amtrak may provide additional service inconsistent with prudent management, what are the basic differences be-

tween the route criteria being considered here and the prudent management previously used to establish through routes? An Amtrak study concluded that service should be restored through the San Joaquin Valley because a good market exists for renewal of passenger service. I understand this route is one of Amtrak's largest losers; is that right?

Mr. JACOBS. That is correct. You are really sort of putting your finger on one of the major problems that exist in trying to take a single definitive stance. The total number of dollars lost on San Joaquin—the avoidable deficit—is \$2.7 million, and frankly if you look at the number where that would rank if you just looked at it as an absolute loss, that wouldn't rank very high relative to some of the lines.

Mr. ROONEY. What is the difference in the criteria?

Mr. JACOBS. The criteria, in effect, goes through a number of variables which in fact implicitly weighs them. You are looking at them in a group, and there is no single objective number. We don't have it.

Mr. ROONEY. You are not going to come back for any more supplements this year?

Mr. JACOBS. I think you asked would we come, and the answer is yes, we would.

Mr. ROONEY. Mr. Reistrup said you wouldn't be back.

Mr. JACOBS. This is 1977-76.

Mr. ROONEY. You just added on to 1977.

Mr. REISTRUP. In 1977, we will have to come back in.

Mr. Santini asked for some figures. For 1972, 147 million; for 1973, 158; 1974, 272; and then tapering off somewhat to 352 in 1975.

Mr. ROONEY. Thank you very much. I think this has been an excellent panel discussion this afternoon, and this will conclude our hearings until tomorrow at 2 p.m.

I do have some additional questions which I am going to direct to you in writing. Do any other members have any additional questions?

Mr. SKUBITZ. Mr. Reistrup, you are familiar with the 1973 act, are you not?

Mr. REISTRUP. I am.

Mr. SKUBITZ. Do you recall that in that bill we placed a proviso whereby, in layoffs, the fellow who had over 5 years was guaranteed an income for the rest of his life. I think when you lay people off that way, they have rights that have to be protected. But the point I am getting at is this: If we put a proviso in the law today that would apply to Amtrak passenger trains whereby Amtrak might be able to bargain with the brotherhood giving them some sort of proviso in order to get work rule changes, do you think that would change the operating costs?

Mr. REISTRUP. Mr. Skubitz, about 20 percent of our operating costs are train and engineer labor on the trains, which is applicable to these work rules. There, of course, would be some measure of improvement in that area, and I think it would be worth pursuing.

Mr. SKUBITZ. Would you mind taking a look at that?

Mr. REISTRUP. I will.

Mr. SKUBITZ. If you say only 20 percent, then the railroad brotherhood has been kicked around a lot by people who don't know what

they are talking about when they are talking about the operators of the train. This is our biggest expense. If it is only 20 percent, this isn't quite correct.

Mr. REISTRUP. That is correct. That will be part of the figures that we will submit to you [see p. 36].

Mr. SKUBITZ. Thank you very much.

Mr. ROONEY. Thank you.

This will conclude our hearings until tomorrow at 2 p.m., the room to be announced.

[The following letter was received for the record:]

NATIONAL RAILROAD PASSENGER CORP.,
Washington, D.C., March 1, 1976.

HON. FRED B. ROONEY,
Chairman, Subcommittee on Transportation and Commerce, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Dr. Jacobs has requested that I reply to your February 9 letter containing the additional questions on Amtrak's Criteria and Procedures for Making Route and Service Decisions. The answers to your 21 questions are attached.

Question 1. In your five-year report, you seemed to indicate that there would only be a 42 percent increase in inflation in the next three years. How did you arrive at this 42 percent figure when, during the last three years, the inflation rate was 82 percent?

Answer. The historical inflation rates used to derive our inflation projection were derived from the "Indexes of Railroad Material Prices and Wage Rates, Railroads of Class I," published quarterly (with annual summaries) by the Association of American Railroads, Economics and Finance Department, Washington, D.C. According to the AAR data, during the three years prior to our five-year program, (1972-1974), the total increase in the composite AAR price index was approximately 40 percent. Inflation since the inception of Amtrak through 1975 has been about 73 percent.

Based on these results, plus the economic assumptions contained on page 41 of "The Budget of the United States Government, Fiscal Year 1976" (e.g., The President's Budget), and known wage and benefit rate increases incorporated in union agreements applicable through 1977, the following inflation rates were projected in the five-year program:

FY 1975—14.6 percent

FY 1976—11.2 percent

FY 1977— 8.2 percent

FY 1978 was not projected

The three-year projection for FY 75-77 averaged an 11.3 percent increase.

The three-year history, CY 72-74, averaged a 13.5 percent increase.

Question 2. In your five-year plan, on many of the routes, you have one factor called "load factor needed to break even." At all of those points, the load factor needed to break even is 111 percent or 113 percent or 106 percent. When the maximum attainable year round load factor for any mode of transportation, whether it be train or bus or plane, is 78 percent, how can we ever expect Amtrak to break even when you need a load factor average of 110 percent?

Answer. A break-even load factor in excess of 100 percent simply means that at today's cost per car mile there are not enough seats in the car to cover the costs at today's fares, even if all seats are filled. If car-mile costs can be reduced, or seats increased, and fares increased, break-even load factors can be reduced to attainable levels. With such productivity improvements, break-even operation can be possible on a direct cost basis. We are pursuing cost-improvement programs. Our new cars have higher seating densities. We are also increasing fares where and to the extent that competitive travel costs permit.

Question 3. Between 1974 and 1975, your load factor was down 7 percent in the Northeast corridor; down 18 percent on short hauls; down 7 percent on long hauls; and down 9 percent in the overall system. How can you explain this decrease in load factors?

Answer. Load factors in FY 1974 were abnormally high because of the elevated rail demand resulting from the gasoline crisis. Load factors in FY 1975 were lower than 1974 because of the depressed level of travel demand resulting from the recession and unemployment. Also, increased gasoline availability and temporary price reductions in 1975 were a factor. Ridership in 1975, however, increased 11 percent compared to 1973 ridership, demonstrating that the growth of rail passenger ridership has not abated. Selective routes where service improvements were made showed substantial gains in the face of a general decline in rail and other modal travel demand.

Examples:

[In percent]

Route	Percent change: 1973-74	1974-75
New York-Albany-Montreal.....	(1)	25
Springfield-New Haven.....	28	8
Washington-Cumberland.....	67	10
Chicago-Detroit.....	51	44
Chicago-Port Huron.....	(2)	10

¹ Service began Aug. 6, 1974.

² Service began Sept. 15, 1974.

Question 4. What would be your reaction to a proposal that the subsidy on Amtrak trains, in any one year, should not be greater than 50 percent of its operating costs and that the other 50 percent of its operating costs should come from revenues? This means that for every dollar the U.S. taxpayer contributes, you have to make one dollar. It would be a 50-50 matching program. How many trains would you have to discontinue? What effect would it have on the basic system? And could good management bring this into reality?

Answer. If the federal share of Amtrak service were reduced at the present time to 50 percent of fully-allocated operating costs, there would be no Amtrak system. The system is still being operated with the old equipment, with variable railroad service quality due to significant variation in the pertinent aspects of operating conditions (i.e., on the Penn Central and the marginally viable carriers of the Northeast and Midwest), low track quality on many routes and services where track speed and quality can be a key factor in marketability, and with high maintenance and other cost factors not yet completely within Amtrak quality control and cost control. Improvements have been authorized by the Congress; the implementation of improvements within the corporation's control is being prosecuted as quickly as negotiations and funding permit. Many other factors not within the corporation's direct control will be affected as the implementation of the Final System Plan and the Railroad Revitalization and Regulatory Reform Act of 1976 proceeds. Reversing the decades of neglect of our rail system—both freight and passenger—will not be a short-term job. The revenue and deficit of the Amtrak operation can be improved as new equipment is deployed, as passenger facilities are improved, and as the railroad infrastructure improves. Amtrak has proved that the decades-long passenger volume decline can be turned around. Amtrak has shown that improved equipment and better service can make a tremendously significant impact on ridership as in the Chicago-Detroit case. It is significant to note that the results of the test case show that the traveling public may be more anxious for significantly improved rail passenger service than anyone heretofore has imagined. The full picture of the effects of an overall improved rail passenger and rail freight environment is not yet clear. We believe that the elimination of the rail passenger system would be imprudent and wasteful of public investment at this point, and could well prove to be a disaster in the future when the U.S. energy situation changes.

Our revenue-to-Federal-funding ratio has recently worsened, due to the disproportionate impact of inflation on our deficit operation and because of mandated new trial services, which operate at a loss. We believe that getting this ratio back to a 50-50 balance is a very appropriate interim goal, and we are making every effort to achieve it. A 60 percent (revenue)-40 (Federal support) ratio would be even better, and I will not be satisfied with a 50-50 split. But first we have to restore the 50-50 level. All these ratio improvements are going to be pursued on a route-by-route basis.

The information required to respond to your questions 5, 8, 9, and 10, is inter-related. For ease of understanding, the answers to the questions have been consolidated into one response. Additional information regarding Question 10 also appears in the answer to Question 6.

Question 5. Since Amtrak began operations in 1971, its losses rose from 5.4¢ per passenger mile to over 8¢ per passenger mile in 1975. Do not these figures simply mean that the more passengers you carry, the greater your losses?

Question 8. In Fiscal Year 1974, your revenue per passenger mile increased by 14.1 percent. However, at the same time your costs per passenger mile increased by 44 percent, adding up to a net loss of approximately 11.4 percent. How do you explain your cost increasing at approximately 3½ times your revenue?

Question 9. In 1972, the ratio of the system cost to system revenue was \$2.00 of cost to every \$1.00 of revenue. In 1975, \$2.31 to every \$1.00 of revenue. How can you justify a continued spread between the amount of money that is taken in and the cost of the system?

Question 10. Why is it that Amtrak is so cost ineffective in precisely the market that Amtrak's proponents thought it would be the most cost-competitive? For example, I refer to the short haul routes such as Chicago-Milwaukee, Chicago-St. Louis, Detroit-Chicago, and Washington-Cumberland?

Answer. Any consideration of Amtrak's financial performance must include a realization of the extent to which inflation has created, and is expected to continue to create, a growing gap between deficit-funding requirements in current dollars. These considerations include the wage-and-price-level changes. One useful perspective is to use constant-dollar figures, which factor out the uncontrollable impact of inflation.

Exhibit A places Amtrak's financial operating performance in this perspective. Both revenue and expense for the period CY 1972 through CY 1975 are expressed in average CY 1972 dollars. The data thereby excludes from the resulting deficits any impact due to either fare increases or changes in wage and price levels during the period. The price level for revenue is expressed as yield and is defined as the revenue per passenger mile (RPM). Systemwide yield is affected by fare increases, first class versus coach accommodations over the same route, and by the passenger load distribution over different routes (each of which can have different fare levels per mile and, therefore, different yields per RPM).

A comparison of the four-year period, CY 1972 through CY 1975, shows that approximately 75 percent of the increase in Amtrak's actual operating deficit was due to inflation. The remaining deficit increase was the direct result of significant investments in service quality and capacity. This result is explicitly demonstrated in Exhibit A, Operating Results and Ratios. The exhibit shows that as the constant-dollar deficit has increased, so has the size, scope, quality, and patronage of the Amtrak system.

This relationship is highlighted by means of constant dollar performance ratios. In broad terms, especially with regard to available seat miles and revenue passenger miles, the ratios reflect the unit cost to the taxpayer for providing Amtrak service to the nation. As the table shows, for CY 1972-1975, the amounts that would have been realized in each calendar year if the yield (RPM) had remained constant at the average CY 1972 level, would have increased from 5.3¢ to 6.4¢ per RPM, an increase of 20.8 percent. Similarly, constant dollar expense represents the amounts that would have occurred if there had been no increase in wage and price levels over those existing during CY 1972. The figures for train miles, car miles, and, most especially, available seat miles, indicate the extent of operational system capability being purchased for the given constant dollar deficit level. Revenue passenger miles and load factors reflect the degree to which system capacity is being utilized by the public.

CY 1972-1974 federal funding required per available seat mile has gone from 2.4 cents to 2.5 cents, an increase of 4 percent, while funding per revenue passenger mile went from 4.9 cents to 5.2 cents, an increase of 6 percent. These small increase in constant dollar federal funding have produced, among other things, a refurbished and better-managed car fleet, new car fleet acquisitions renovated and clearer stations, improved passenger repair and overhaul facilities, a modern, computer-based reservations system, and improved customer-employee relations through retraining and better working/travelling conditions. It is Amtrak's intention to continue to improve the quantity and quality of its

service consistent with our federal mandate while striving to make the service as cost-efficient as possible.

Question 6. The National Association of Motor Bus Owners makes the assertion that the short hauls are the most uneconomic, losing 14.5¢ per revenue passenger mile. How can you explain the short hauls, which are in corridors, which can compete almost with airplanes, being uneconomic? And second, they state emphatically that over 60 percent of all Amtrak's current losses are in the long haul. What are your suggestions for maximizing the route structure so that you can keep the better long hauls or corridor service routes, find new markets with potential profits and discontinue the losses?

Answer. The FY 1975 statistics from the Route-by-Route Profit and Loss Statement in the Five Year Financial and Operating Program agrees with the assertion that the short-distance trains are the most uneconomical on a loss per passenger mile basis. However, the aggregate of these short distance trains does not include the Northeast corridor trains, which are at present the only true corridor-type services. The remaining short-hauls are just that; short distance, limited frequency trains in our urbanized corridor. The total Northeast corridor service, which includes the Metroliners, the Boston-Washington conventionals and the New York-Philadelphia trains, lost only 5¢ per passenger mile for the FY 75 time period. This loss per revenue passenger mile is less than that of the long-haul services and less than that of the system in total.

Not all short-distance trains are operated in corridor service, although a few do have more frequency. Those that have increased frequency show lower losses per revenue passenger mile. The service frequency on these routes is not large; the seating capacity of the trains is low (using the older equipment); and, as a result, the trains cannot share the high fixed expenses for support activities as do the high-frequency, high-density-seating, corridor-type service.

	1975 average loss per revenue passenger mile
Short distance routes: ¹	
All shorts (19)	1676
Limited frequency shorts (9)	2183
Multiple frequency shorts (10)	1221
Multiple frequency shorts excluding northeast corridor routes (7)	1521
NEC routes (3)	0519

¹ Using Amtrak's route-by-route-ranking by deficit per RPM for 1975.

According to the Five Year Financial and Operating Program, the long-distance trains do account for 60 percent of Amtrak's current losses. However, it should be noted that the long-distance trains account for 61 percent of the revenue passenger miles in the system and thus provide an economical service when viewed on a loss-per-revenue-passenger-mile basis.

The basic Amtrak route structure was authorized by the Rail Passenger Service Act of 1970 and designated by then-Secretary of Transportation John Volpe. Additional routes were authorized by Congress in Amtrak authorization or appropriations laws, by designation under section 403(c) as experimental routes by the Secretary of Transportation, and by state, regional, or local transportation agencies under section 403(h) of the Rail Passenger Service Act, as amended. Historically, Amtrak has not had the authority to delete routes from its system and has not had control over the route structure. In 1973, when the Department of Transportation recommended to Congress and Amtrak that the corporation discontinue several routes and services, the former Amtrak Board of Directors applied to the Interstate Commerce Commission for discontinuance. The public outcry in reaction was widespread and significant. Shortly thereafter, the Congress restructured and replaced the former Amtrak Board and "froze" the Amtrak route system for another year.

The proposed route and service criteria would provide the Board of Directors with authority to add and delete routes from the system and to alter current routes. It is the objective of the criteria to selectively alter the routes and system in an incremental manner that would reduce the operating deficit and maximize the social benefits.

Question 7. What route loses the greatest amount per passenger mile and what route comes the closest to breaking even per passenger mile?

Answer. For FY 1975, the Metroliner service came closest to breaking even on a revenue-per-passenger basis, and the New Haven-Hartford-Springfield serv-

ice lost the greatest amount on a revenue-per-passenger-mile basis. Two summaries of route performance for FY 1975 are attached.

Question 11. Do you think it is possible to reorganize Amtrak in such a way so that it can provide the basic intercity service that is necessary in a cost-competitive manner and cut down many of the losses? How would you propose to restructure Amtrak so that this could be achieved?

Answer. If, by restructuring, it is meant for Amtrak to eliminate a significant portion of the existing route structure, then the response to the question would have to be in the positive: elimination of many of the routes or services would reduce the Amtrak deficit. Elimination of the major portion of the route structure (for example, elimination of all long-distance trains or all short-haul non-potential-corridor routes) would also be a violation of the letter, spirit, and legislative history of the Rail Passenger Service Act. It is important to note that elimination of various services does not guarantee the improvement of the remaining services unless substantial capital investment is made on those remaining routes.

If, by restructuring, it is meant for Amtrak to drastically improve the scope and quality of rail passenger service, then again, the operating losses can be reduced. Amtrak proposes, and is so guided by the legislative history, that the way to reduce losses is by the improvement of the services offered. Losses can be reduced by improving load factors, by speed and comfort increases, by frequency increases, through better service quality, increased capacity, provision of convenient services, and the use of incentive fares for off-peak periods. For example, it makes little sense to consider the previous 4 years of operation of the New York-Kansas City National Limited train as a true test upon which a success or failure rating could be placed. Since May 1, 1971, the track quality on the route has steadily declined. The Penn Central did not have the cash to keep the tracks maintained. The train runs slowly, and ran late until the schedule was lengthened, and this obviously has had a negative effect on the market. The old cars that were available to Amtrak certainly did not enhance the train's marketability and ridership performance. That the old cars operated at low speeds did not help passenger comfort, because at slower speeds the air conditioning and electrical generation often does not work. Not only the passengers but also the crews are affected when this occurs. Because the Penn Central did not have the funds to keep the stations maintained as the Amtrak Basic Agreement required, and because Amtrak has limited capital funds to spread among 484 stations and all the routes' other requirements, little improvement in facilities could be made. When trains are consistently late, station facilities are crucial to passenger comfort. Yet, nearly 160,000 persons rode the National Limited in 1975 in the face of these conditions, in a time of inflation, decreased fuel prices, increased fuel availability, and widespread joblessness. It is interesting to remember that more than a quarter of a million passengers rode the National Limited in 1973, when the track and station quality was slightly better than exists now.

It makes little sense to begin the elimination of either long- or short-haul trains as a class in the face of a changing railroad environment and a substantial public investment in the capital equipment and facilities needed to operate those services. New long-distance and short-distance cars—including coach, sleeping, and food-service cars—have already been ordered. Higher-density seating, reliably comfortable and efficient cars will be increasingly available during the next three years. Track and service improvements resulting from the provisions of the Rail Revitalization Bill, the Amtrak law, and the Conrail legislation should come concurrently. After the improvements are completed, Amtrak will finally have a product that can be advertised and competitively marketed.

It cannot be forgotten that these improvements will be made at the same time that our energy resources become increasingly scarce and expensive for all modes of transportation using petroleum-based fuel. Naturally, if it seems that no alternative fuel can be developed to replace petrofuels, rail is the only form of long or short haul intercity transportation readily convertible to electrical propulsion. Electric generation is adaptable to any number of fuel sources and is highly efficient.

Question 12. In a DOT letter to Amtrak dated January 20, 1976, it was indicated that due to budget cuts it may be necessary to discontinue selected routes which have experienced major losses and low patronage. It further stated: "In

discontinuing routes, Amtrak should, to the maximum extent practicable, employ the proposed route and service criteria which have been submitted to Congress."

12a. What is meant by the phrase "to the maximum extent possible?" Does this not imply that it is anticipated that the criteria is not susceptible to objective application?

Answer to question 12(a). The January 20, 1976, letter was budgetary advice from the Deputy Secretary of Transportation to Amtrak President Paul Reistrup. We can provide no insight as to why the Department supports the criteria on one hand and on the other hand advises Amtrak to employ the criteria only to the maximum extent possible.

Each of the thirteen criteria items require hard statistical data. Each of the routes and services operated are quantitatively and qualitatively comparable by these thirteen criteria. The evaluation of this data by the board must be based on this hard information. The decision as to when a service fails on current or future or improved economics or on social/environmental considerations is a judgmental decision to be made by the Amtrak Board of Directors, just as would be the decision to add a service.

12b. As this DOT statement was made with regard to anticipated budget cuts, is it fair to infer that DOT expects an emphasis on economic criteria? Do you intend to emphasize economic criteria regardless of DOT's position?

Answer to question 12(b). We can provide no insight to the Department of Transportation's expectations or emphasis.

Amtrak's Criteria and Procedures for Making Route and Service Decisions submitted to the Congress on October 29, 1975, displays the proposed method for establishing priority ranking of routes and services. This method prescribes analysis responding in order to the following four evaluative questions:

1. Are the current economics associated with the route or service satisfactory?
2. Are future or projected economics likely to be satisfactory?
3. Can service quality be upgraded or more effectively promoted to improve economics?
4. Are there overriding social or environmental benefits that appear to justify the present and continuing cost of retaining or adding the route?

The ranking follows the answers to the above questions and settles into five ranked priority categories. If the answer to question 1 is "yes," it is a category 1 route and it is to be continued. If the answer to 1 is "no" but the answer to question 2 is "yes," it falls into the category 2 routes; the route is to be continued or added. If the answer to questions 1 and 2 are "no" and the answer to question 3 is "yes," it is a category 3 route, and the route is to be continued with revised service. If the answer to the first three questions is "no" and the answer to question 4 is "yes," the route is ranked in category 4 and the social/environmental benefits warrant continuance or addition of the route. If the answer to all questions is "no," the criteria suggest discontinuance or not adding the route.

12c. With further regard to your intentions of implementing the criteria, do you intend to apply the criteria in accordance with the DOT statement even if Congress disapproved the criteria? If not, what criteria would you use if you are required to discontinue a train?

Answer to question 12(c). The development of the route and service criteria was quided by Amtrak's legislative history culminating in Public Law 94-25, the Amtrak Improvement Act of 1975. If the route and service criteria were disapproved by the Congress, Amtrak would have to consider the legislative intent for additional guidance. If the criteria were disapproved and Congress directed Amtrak to discontinue a specific route, Amtrak would be required to apply to the Interstate Commerce Commission under Section 13(a) of the Interstate Commerce Act as amended. Without the criteria and in the absence of legislative guidance to the contrary, the entire legislative history of Amtrak points to the maintenance of the existing system, plus the mandated annual experimental route additions, plus any additional requested state, regional, or locally funded trains.

Question 13. Section 403(a) of the Act provides that Amtrak may provide additional services if consistent with prudent management. What are the basic differences between the route criteria being considered here and the prudent management previously used to establish through routes?

Answer. The route and service criteria are consistent with prudent management. They add, however, the benefits of specifically outlining the analytical decision process for making route decisions and for soliciting and considering public support and comment. They also provide the board with an improved visi-

bility of the quantitative and qualitative factors involved and provide consistent comparability of all significant factors bearing on route and service decisions.

Question 14. An Amtrak management study concluded that service should be restored through the San Joaquin Valley because "a good market exists for renewal of passenger service." I understand that this route is one of Amtrak's largest losers. What assurance do we have that your conclusions based on the new criteria won't be just as erroneous as Amtrak's previous managerial decisions?

Answer. The San Joaquin Valley service is far from being the largest loser in the Amtrak system. During Fiscal Year 1975 the San Francisco to Bakersfield train was ranked 19th in terms of net avoidable deficit out of the 35 Amtrak routes. The net avoidable deficit is a measure of the total burden of the route on the Amtrak system. It specifies the incremental change in the corporation's total annual deficit that would be caused by the discontinuance of the route.

The decision to initiate the San Joaquin service was predicated on the ability to capture a representative proportion of the travel market in the San Joaquin Valley. The analysis supporting this decision estimated that \$600,000 of revenue would be generated on this route during its first year of operation. The actual Fiscal Year 1975 direct revenue of \$600,000 and connecting revenue of \$180,000 demonstrates that the analysis provided a reasonable estimate of the base revenue for the route. The analysis also estimated that the incremental operating expenses for the service would be approximately \$1.7 million which matches very closely with the \$1.9 million of direct expenses that were reported for the route in Fiscal Year 1975.

The original analysis of this route, on which its initiation was based, has proved to be a valid estimate of the route's incremental profit-and-loss potential. Ridership growth has proved variable until the last several months of 1975 and the first month of 1976, where solid gains have been registered after the Amtrak service was revised and improved, the fare structure was altered to encourage off-peak ridership, and a campaign to advertise the service was initiated.

Question 15. Whether you compare train fuel consumption with automobiles or buses or both, do you not believe that there should be a factor for route circuitry? I am informed that the most frequently traveled Amtrak trains have circuitry of up to 45 percent between city pairs as compared to highways. For example, although I understand you have made some modifications in the routing of the "Inter-American", it is true that the train still wanders all over eastern Texas before it gets to its destination?

Answer. It is true that there are cases where the highways are less circuitous than the rail line used by Amtrak, and there exist situations just the opposite. It must also be remembered that circuitry is just one factor in fuel usage. Another factor compensating circuitry is that rail lines invariably tend to be more level than highways. A final consideration is that trains do not have to stop and start as much as highway traffic in many cases.

Regarding the example of the Inter-American train, in October 1975, Amtrak reduced its trip mileage between Temple and Taylor, Texas, from 79 to 39 miles through an agreement with the Missouri-Kansas-Texas Railroad, which, not having operated passenger service immediately prior to May 1, 1971, was not required to sign an Amtrak contract. The figure of 45 percent circuitry apparently came from this single case, before the route correction, as the following sample comparisons indicate, and this is not an average situation within the Amtrak system.

City-pair	Amtrak miles	Highway miles ¹	Percent variance
St. Louis-Dallas	702	630	+10
Dallas-Laredo	465	423	+ 9
St. Louis-Laredo (revised route)	1,167	1,067	+ 9.4
Chicago-Los Angeles	2,223	2,054	+ 8
New York-Chicago	904	802	+11
Chicago-Denver	1,038	996	+ 4
New York-Washington	224	223	-----
New York-Philadelphia	90	100	-11

¹ Incorporating recently constructed mileage to interstate highway standards.

Question 16. With regard to the change in energy consumed, the criteria assumes that in the event of a route addition to discontinuance, passengers will be drawn from automobiles or turn to automobiles.

Answer. The assumption that passengers would be drawn from or turn to automobiles is made solely for the purpose of economizing an early stage of the analysis. The national average modal split supports this initial assumption: 87 percent automobile; 10 percent air; 2 percent intercity bus; and, 1 percent rail. The route and service criteria report does note in appendix D-1 that, if the early analysis indicates that energy consumption will be a key decision factor, a special study will be made to determine actual alternate modes for the city pairs involved.

Question 16a. How is this assumption arrived at?

Question 16b. Would it not be fair to say that some passengers will turn to or be drawn from other common carriers such as buses and airplanes?

Answer to 16(a) and (b). Yes, it is likely that some passengers will turn to or be drawn from buses and airplanes. Our on-board surveys, however, show that most new Amtrak passengers made their previous trip between the same points by private automobile. As before, if the early analysis shows energy consumption to be a key factor in the decision, a special study will be done.

Question 16c. Also, are you overlooking an important element of your service in that large numbers of passengers would not make the trip except for the availability of the train?

Answer to 16(c). One of the social criteria to be considered is the availability of alternate modes of travel. An indication that alternative capacity was not available would lead to emphasis in the special study to determine the number of passengers who would not be able to make the trip if rail service were not available.

Regarding the "bias" for considering the best possible case, the use of auto modal diversion is only the preliminary stage in determining if fuel usage will be a critical factor. If fuel consumption becomes a crucial factor, the special study will be made.

The history of passenger service, the history of legislative involvement with passenger service prior to the creation of Amtrak, and the legislative history of the Amtrak corporation has made it clear to Amtrak's Board of Directors and management that all possible means to promote and improve a route or service must first be exhausted prior to the last resort of declaring the route or service a failure and proceeding with discontinuance.

Question 17. You state that "the Environmental Protection Agency has developed specific methodologies for estimating pollutant emissions from various classes of highway and other passenger transportation vehicles, including trains." You also state that you will use the EPA methodology to make certain determinations.

Answer. Environmental Protection Agency publications and statistics were used in the development of the route and service criteria, primarily to determine the type of data which would be available for use in conducting the analysis. The EPA publications that will serve as major data sources are referenced in the detailed methodology prescribed in the route and service criteria (Appendix D, pp. 1-5).

Question 17(a). Does the EPA have a formula for determining changes in pollutants generated by different modes?

Answer to 17(a). To our knowledge, the EPA has no set formula for this application. Rather its emphasis to date has been to collect, refine, and publish accurate statistical facts regarding the pollutants generated by different vehicles using various types of fuel.

Question 17(b). Was your criteria for pollutants generated, cleared or in any way checked out by the EPA?

Answer to 17(b). The route and service criteria has not been coordinated with the EPA. The EPA role, again, is to provide basic, current factual data on pollutants generated by various vehicles using various fuels. This knowledge would be applied by the Amtrak staff in a comparison of the environmental effects of potential route decisions.

Question 18. The EPA considers five pollutant emission factors and the criteria indicates that an estimate will be made for all five types, but they will be combined into one figure. Why should these not be considered separately? Does not each type of pollutant have a different effect on the air?

Answer. The route and service criteria evaluation is primarily concerned with a comparison of the relative environmental effect of route decisions among a number of routes. By combining the effect of the five major pollutants into one figure, this comparison is facilitated at an early phase of the route or service

analysis. If the early results indicate that emission factors will bear heavily on the decision, then additional detailed analysis would be undertaken to determine the levels of each of the five major pollutants.

Question 19. As in the case of the criteria for energy consumed, why is the comparison only made to automobiles? Would it not be more accurate to determine the percentages of passengers likely to travel by air, bus and automobiles and make a comparison to all three modes?

Answer. Initial estimates of pollution emissions compare rail to automobiles only, based on the automobile's nationwide 87 percent share of the intercity travel market. As with the energy consumption criteria, should the emission factor become significant in the decision process, special studies to measure the expected modal shifts would be made.

Question 20. The bus companies will testify that, with the single exception of the New York-Washington route where there is electrification, that carbon monoxide and hydrocarbon emissions are higher per passenger transported than those of airplanes, buses, or automobiles. Do your calculations indicate the same results? This being the case, what weight is Amtrak going to give this fact vis-a-vis the other pollutants?

Answer. The bus testimony in "Amtrak—Yesterday, Today, and Tomorrow" depended on a single source for their analysis and assumption on the modal comparison of emissions. Attached is a table demonstrating the widely varying results of a dozen recent energy studies. (Taken from "Boeing Intercity Passenger Data, Energy Comparisons, May 1975. Boeing Commercial Aircraft Corporation.) The studies vary by the assumptions made. Also included are the official Department of Transportation figures for relative fuel consumption, which was contained in the 1974 DOT Report to Congress on the Rail Passenger Service Act.

We are hopeful that EPA data will allow Amtrak staff to be more specific regarding exhaust emissions as applicable to route decisions. Certainly, if the bus contentions prove correct, Amtrak's board will take into appropriate consideration the effect of hydrocarbon, carbon monoxide, and nitrogen oxide emissions along with the other major emissions.

Question 21. Why does Amtrak continually refer to the necessity of having a national system of trains to serve as a feasible, energy-efficient alternative to other modes of transportation when, in fact, trains are not as energy-efficient as buses?

Answer. Amtrak's reference to the necessity of having a national system stems from the Amtrak Act.

THE RAIL PASSENGER SERVICE ACT AS AMENDED

Sec. 101. Congressional findings and declaration of purpose.

The Congress finds that modern, efficient, intercity railroad passenger service is a necessary part of a balanced transportation system; that the public convenience and necessity require the continuance and improvement of such service to provide fast and comfortable transportation between crowded urban areas and in other areas of the country; that rail passenger service can help to end the congestion on our highways and the overcrowding of airways and airports; that the traveler in America should to the maximum extent feasible have freedom to choose the mode of travel most convenient to his needs; that to achieve these goals requires the designation of a basic national rail passenger system and the establishment of a rail passenger corporation for the purpose of providing modern, efficient, intercity rail passenger service; that Federal financial assistance as well as investment capital from the private sector of the economy is needed for this purpose; and that interim emergency Federal financial assistance to certain railroads may be necessary to permit the orderly transfer of railroad passenger service to a railroad passenger corporation. (Emphasis added.)

Studies on the relatively energy-efficiency of buses and trains show varied results. Trains can be significantly more fuel-efficient when compared with buses. The DOT table incorporated in the answer to Question 20 shows that a properly maintained rail line properly equipped and marketed, can exceed any other overland mode in terms of fuel efficiencies.

Sincerely,

PAUL H. REISTRUP,
President.

Attachments.

OPERATING RESULTS

[In millions]

	Calendar year—			
	1972	1973	1974	1975
Statistics:				
Train miles.....	26	27	29	30
Car miles.....	201	226	245	253
Available seat miles.....	6,294	7,077	7,885	7,923
Revenue passenger miles.....	3,038	3,806	4,258	3,939
Load factor (percent).....	48	54	54	50
Profit and loss—constant calendar year 1972 dollars:				
Revenue.....	162	202	227	210
Expense.....	310	321	412	415
Deficit.....	148	119	185	205
Expense/revenue ratio.....	1.9	1.6	1.8	2.0
Profit and Loss—actual dollars:				
Revenue.....	162	202	257	253
Expense.....	310	361	530	605
Deficit.....	148	159	273	352
Expense/revenue ratio.....	1.9	1.8	2.1	2.4
Inflation factors:				
Revenue-yield/revenue passenger mile (cents).....	5.3	5.3	6.0	6.4
Expense-AAR index.....	146	164	187	213
Profit and loss per train mile (constant 1972 dollars):				
Revenue.....	\$6.20	\$7.50	\$7.80	\$7.00
Expense.....	11.90	11.90	14.20	13.80
Deficit.....	5.70	4.40	6.40	6.80
Profit and loss per car mile (constant dollars):				
Revenue.....	.80	.90	.90	.80
Expense.....	1.50	1.40	1.70	1.60
Deficit.....	.70	.50	.80	.80
Profit and loss per available seat mile (constant dollars) (cents):				
Revenue.....	2.5	2.9	2.9	2.7
Expense.....	4.9	4.5	5.2	5.2
Deficit.....	2.4	1.6	2.3	2.5
Profit and loss per revenue passenger mile (constant dollars) (cents):				
Revenue.....	5.4	5.3	5.3	5.3
Expense.....	10.2	8.4	9.7	10.5
Deficit.....	4.9	3.1	4.3	5.2

Attachment I

NATIONAL RAILROAD PASSENGER CORPORATION ROUTE BY ROUTE RANKING BY DEFICIT PER REVENUE
PASSENGER MILE—FISCAL YEAR 1975

[In millions of dollars]

Ranking	Route	Revenue	Fully allocated cost ¹	Income/ (loss)	Revenue passenger mile	Loss/revenue passenger mile
1	New Haven-Hartford-Springfield	\$0.5	\$3.0	(\$2.5)	6.0	.4160
2	San Francisco-Bakersfield	.6	4.1	(3.5)	10.0	.3500
3	Vancouver-Seattle	.3	1.7	(1.4)	4.4	.3182
4	Washington-Cumberland	.3	1.8	(1.5)	6.1	.2459
5	Seattle-Portland	.9	3.9	(3.0)	14.0	.2143
6	Chicago-Dubuque	.2	1.1	(.9)	4.2	.2142
7	Los Angeles-San Diego	1.5	6.7	(5.2)	27.7	.1877
8	Florida-Chicago	4.5	23.5	(19.0)	103.0	.1845
9	Chicago-St. Louis	2.9	9.3	(6.4)	37.1	.1725
10	Chicago-Milwaukee	1.2	4.4	(3.2)	19.8	.1616
11	Chicago-Port Huron	.6	2.3	(1.7)	10.9	.1560
12	Washington-Montreal	4.5	14.8	(10.3)	66.1	.1558
13	St. Louis-Laredo	1.1	4.3	(3.2)	21.5	.1488
14	New York-Montreal	.9	2.7	(1.8)	12.6	.1429
15	Harrisburg-Philadelphia	2.0	6.4	(4.4)	35.5	.1239
16	Chicago-Detroit	2.2	7.5	(5.3)	43.5	.1218
17	New York-Washington-Kansas City-Denver	5.2	15.0	(9.8)	80.9	.1211
18	Norfolk-Washington-Chicago	2.3	8.0	(5.7)	49.2	.1159
19	Chicago-Carbondale	1.4	3.8	(2.4)	26.2	.0916
20	Chicago-Quincy	.8	2.2	(1.4)	15.8	.0886
21	Minneapolis-Superior	.1	.2	(.1)	1.2	.0833
22	New York-Buffalo/Detroit	7.4	16.7	(9.3)	112.2	.0829
23	New York-Philadelphia	7.7	20.8	(13.1)	162.4	.0808
24	New York-Washington-Chicago	10.6	22.6	(12.0)	156.4	.0767
25	Seattle-Chicago	18.8	43.9	(25.1)	335.4	.0749
26	Houston-Chicago	5.6	13.5	(7.9)	110.2	.0717
27	San Francisco-Chicago	14.1	29.3	(15.2)	242.8	.0626
28	Boston-Washington (converted)	37.4	70.0	(32.6)	537.4	.0607
29	New York-Florida	31.0	65.6	(34.6)	573.9	.0603
30	Seattle-Los Angeles	10.4	21.0	(10.6)	182.1	.0582
31	New Orleans-Chicago	3.9	8.4	(4.5)	84.3	.0534
32	New Orleans-Los Angeles	4.5	8.6	(4.1)	96.1	.0427
33	Chicago-Los Angeles	18.0	33.1	(15.1)	325.2	.0464
34	New York-Washington (Metro)	38.9	43.7	(4.8)	333.2	.0144
35	Special trains	.3	.3	-----	4.1	-----
Route totals		242.6	524.2	(281.6)	-----	-----
State subsidies		3.9	-----	3.9	-----	-----
Corporate expense		-----	35.6	(35.6)	-----	-----
Grand total		246.5	559.8	(313.3)	-----	-----

¹ Route allocations represent an allocation of all operating and corporate overhead functional categories with the exception of the general corporate office expense and interest.

NATIONAL RAILROAD PASSENGER CORP. ROUTE BY ROUTE RANKING BY DEFICIT—FISCAL YEAR 1975

[In millions of dollars]

Ranking	Route	Revenue	Fully allocated cost ¹	Income (loss)	Revenue passenger mile	Loss per revenue passenger mile
1	New York-Florida	\$31.0	\$65.6	\$(34.6)	573.9	.0603
2	Boston-Washington (conv.)	37.4	70.0	(32.6)	537.4	.0607
3	Seattle-Chicago	18.8	43.9	(25.1)	335.1	.0749
4	Florida-Chicago	4.5	23.5	(19.0)	103.0	.1845
5	San Francisco-Chicago	14.1	29.3	(15.2)	242.8	.0620
6	Chicago-Los Angeles	18.0	33.1	(15.1)	325.2	.0464
7	New York-Philadelphia	7.7	20.8	(13.1)	162.1	.0808
8	New York-Washington-Chicago	10.6	22.6	(12.0)	156.4	.0767
9	Seattle-Los Angeles	10.4	21.0	(10.6)	182.1	.0582
10	Washington-Montreal	4.5	14.8	(10.3)	66.1	.1558
11	New York-Washington-Kansas City-Denver	5.2	15.0	(9.8)	80.9	.1211
12	New York-Buffalo-Detroit	7.4	16.7	(9.3)	112.2	.0829
13	Houston-Chicago	5.6	13.5	(7.9)	110.2	.0717
14	Chicago-St. Louis	2.9	9.3	(6.4)	37.1	.1725
15	Norfolk-Washington-Chicago	2.3	8.0	(5.7)	49.2	.1159
16	Chicago-Detroit	2.2	7.5	(5.3)	43.5	.1218
17	Los Angeles-San Diego	1.5	6.7	(5.2)	27.7	.1877
18	New York-Washington (Metro)	38.9	43.7	(4.8)	333.2	.0144
19	New Orleans-Chicago	3.9	8.4	(4.5)	84.3	.0534
20	Harrisburg-Philadelphia	2.0	6.4	(4.4)	35.5	.1239
21	New Orleans-Los Angeles	4.5	8.6	(4.1)	96.1	.0427
22	San Francisco-Bakersfield	.6	4.1	(3.5)	10.0	.3500
23	St. Louis-Laredo	1.1	4.3	(3.2)	21.5	.1488
24	Chicago-Milwaukee	1.2	4.4	(3.2)	19.8	.1616
25	Seattle-Portland	.9	3.9	(3.0)	14.0	.2143
26	New Haven-Hertford-Springfield	.5	3.0	(2.5)	6.0	.4167
27	Chicago-Carbondale	1.4	3.8	(2.4)	26.2	.0916
28	New York-Montreal	.9	2.7	(1.8)	12.6	.2143
29	Chicago-Port Huron	.6	2.3	(1.7)	10.9	.1566
30	Washington-Cumberland	.3	1.8	(1.5)	6.1	.2459
31	Vancouver-Seattle	.3	1.7	(1.4)	4.4	.3182
32	Chicago-Quincy	.8	2.2	(1.4)	15.8	.0886
33	Chicago-Dubuque	.2	1.1	(.9)	4.2	.2142
34	Minneapolis-Superior	.1	.2	(.1)	1.2	.0833
35	Special Trains	.3	.3	-----	4.1	-----
Route totals		242.6	524.2	(281.6)	-----	-----
State subsidies		3.9	-----	3.9	-----	-----
Corporate expense		-----	35.6	(35.6)	-----	-----
Grand total		246.5	559.8	(313.3)	-----	-----

¹ Route allocations represent an allocation of all operating and corporate overhead functional categories with the exception of the general corporate office expense and interest.

Attachment III OTHER PUBLISHED RESULTS

Mode	Passenger miles per gallon					Seat miles per gallon				
	48	30	32	38	32	75	215	100	100	85
Automobile:										
Subcompact	118	110	125	82	125	78	215	300	250	270
Average	36	50	80	46	80	50	144	210	210	210
Intercity bus										
Train:										
Cross country										
Metroliner										
Commuter										
Suburban										
Airplane:										
Wide bodied jet	15	16	14	16	22	18	40	52	52	22
Average	FEA	DOT/TSC	DOT/OTEP	Hirst	NCMP	Moos	Rice	OOT/OST	Frize	Lieb
Investigator										Austan

Attachment IV

PASSENGER TRANSPORTATION

Present Fuel Consumption Based on Seating Capacity and Average Fuel Use Rates

	<i>Seat miles per gallon (representative)</i>
Rail—(U.S. Current—includes allowances for engine idling between runs):	
3000 hp—locomotive, turbocharged, 0.5 mpg, 9 coaches per locomotive, 60-80 seats each (Amtrak Data)—Relatively new Amtrak locomotives. Many Amtrak cars were less than 60 seats when acquired, now being refurbished with higher density seating-----	270-360
2250 hp—E-8, not turbocharged, 0.63 mpg, 6 coaches per locomotive, 60-80 seats each (Amtrak data)—Relatively old Amtrak locomotives, extra engines sometimes added for reliability-----	225-300
2250 hp—E-8, not turbocharged, 0.63 mpg, 4-5 coaches per locomotive, 60-80 seats each (Amtrak data interpolated)-----	150-250
2250 hp—E-8, not turbocharged, 0.62 mpg, 4 cars per locomotive—sleepers, dining, and club cars (Southern Railroad data)—Locomotive performance essentially the same as Amtrak data. For cross-country, added engine for reliability and added luxury cars sharply reduce seat miles per gallon-----	50
Rail diesel car (RDC) (Budd), 3 mpg, 75 seats 85 seats-----	250
Rail diesel car (RDC) (B&M) 2 mpg, 75 seats—Illustrates difference between manufacturers estimate and operating experience. Single B&O demonstration of same cars got 3.48 mpg-----	150
Rail turbine train; 0.33 mpg, 320 seats (296 + 24 snack bar) (Amtrak data) (Amtrak's French RTG)—Delivery test at 80 mph average—Autotrain, 0.37 mpg, 3600 hp. locomotive, 18 cars per locomotive, 30 automobile—miles/gallon, at 5 seats per auto-----	110
Bus—(U.S. Current):	150
Intercity, 6.0 mpg (Greyhound), 47 seats (TSC Industry average)—Over-the-road test of Greyhound and Trailways buses by TSC indicated 8.8 mpg at 50 mph, 8.1 mpg at 60 mph-----	282
Urban, 3.6-4.6 mpg, 50 seats (FHWA, UMTA data)-----	180-230
Automobile—(FHWA Data):	
Urban:	
Subcompact, 4 seats, 24 mpg-----	96
Compact, 5 seats, 18 mpg-----	90
Standard, 6 seats, 14.4 mpg-----	86.4
Luxury, 6 seats, 9.0 mpg-----	54.
Intercity:	
Subcompact, 4 seats, 30 mpg-----	120
Compact, 5 seats, 22.5 mpg-----	112.5
Standard, 6 seats, 18.0 mpg-----	108
Luxury, 7 seats, 12.0 mpg-----	72
Air—(NASA Data):	
Twin engine turbofan, 68-106 seats:	
Short (250 mi. stage) .34-.44 mpg-----	30-38
Medium (500 mi. stage) .44-.54 mpg-----	37-47
3 and 4 engine turbofan, 131-200 seats:	
Medium (500 mi. stage) .21-.29 mpg-----	35-41
Long (1,000 mi. stage) .26-.34 mpg-----	44-51
3 and 4 engine turbofan, widebody, 256-385 seats—Wide body jets use new high by pass turbofan engines with low specific fuel consumption:	
Medium (500 mi. stage) .11-.19 mpg-----	44-51
Long (1,000 mi. stage) .14-.22 mpg-----	54-60

SOURCE.—DOT report to Congress on Amtrak, 1974.

[Whereupon, at 4:15 p.m., the subcommittee adjourned, to reconvene at 2 p.m., Wednesday, February 4, 1976.]

AMTRAK DISCONTINUANCE CRITERIA

WEDNESDAY, FEBRUARY 4, 1976

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 2 p.m., pursuant to notice, in room 2325, Rayburn House Office Building, Hon. Fred B. Rooney, chairman, presiding.

Mr. ROONEY. The subcommittee will resume its hearings on Amtrak's criteria and procedures for making route and service decisions.

Yesterday this subcommittee heard testimony from the Department of Transportation and from Amtrak in support of the Corporation's proposed criteria.

Further, we were advised that Amtrak may need a supplemental authorization for fiscal year 1977.

This committee will have to determine whether Amtrak will receive that supplemental authorization or whether Amtrak will be instructed to use its criteria to scale down its system and live within its current budget.

Today we shall hear from the Interstate Commerce Commission, the agency that has, until this time, had the job of determining procedures for discontinuing and expanding rail passenger service.

In addition, the Council on Wage and Price Stability will present testimony regarding its November 21, 1975, Inflationary Impact Statement on the Amtrak criteria.

At this time I shall call our first witness, the Honorable Alfred T. MacFarland, Commissioner of the Interstate Commerce Commission.

Welcome to the committee.

STATEMENT OF HON. ALFRED T. MacFARLAND, COMMISSIONER, INTERSTATE COMMERCE COMMISSION; ACCOMPANIED BY RICHARD S. LEWIS, ATTORNEY ADVISER; THEODORE C. KNAPPEN, LEGISLATIVE COUNSEL; BRYAN BROWN, JR., ASSISTANT DIRECTOR, BUREAU OF ACCOUNTS; AND WILLIAM LOVE, CHIEF, SECTION OF RAILROADS, BUREAU OF OPERATIONS

Mr. MacFARLAND. Before commenting on the proposed criteria and procedures, I would like with your permission, to point out a latent ambiguity in the Amtrak Act.

While section 404(c)(3) would provide a basis for Amtrak to discontinue intercity rail passenger service pursuant to criteria and

procedures now being developed, the statute retains section 404(b) (3) which provides another basis upon which Amtrak might discontinue service pursuant to section 19a of the Interstate Commerce Act. So long as the two provisions stand side by side in the statute, Amtrak would have the option to proceed under either provision.

If Amtrak will utilize its own criteria and procedures in all instances, it would be appropriate to rescind the discontinuance provisions of section 404(b) (3). It should also be observed that section 13a never has been an available discontinuance method for Amtrak; the original Rail Passenger Service Act of 1970 suspended the effectiveness of that section as to Amtrak until July 1, 1974, and it has now been suspended by the Amtrak Improvement Act of 1975 until October 1, 1976—March 1, 1977, in the case of certain trains.

Section 8 of the Amtrak Improvement Act of 1975—enacted May 26, 1975—amends section 404 of the Rail Passenger Service Act to require the Amtrak board of directors, within 120 days of enactment of the 1975 act, to develop and submit to the Commission, to the Secretary of Transportation, and to the Congress, an initial proposal setting forth criteria and procedures under which the corporation would be authorized to add or discontinue routes and services.

The criteria include the following factors:

One, the economic impact on Amtrak of additions and discontinuances;

Two, the environmental impact of additions and discontinuances;

Three, the effect of changes on connecting parts of the system;

Four, the population affected;

Five, the demand for intercity passenger service;

Six, the revenue per passenger mile;

Seven, the effect on capital costs;

Eight, the effect on revenues;

Nine, the availability of alternative modes of transportation; and

Ten, public opinion.

The Amtrak board also was directed to develop a method for ranking routes and services in order of priority, keeping in mind the public need for a balanced transportation system.

The Commission and the Secretary of Transportation were given 30 days to submit comments on the initial proposal to the Amtrak board and to Congress. The board, in turn, then will have 30 days to consider those comments before submitting its final proposal to Congress, which will take effect after 60 days of continuous session of the Congress unless either the Senate or the House within that period adopts a resolution of disapproval.

If no such resolution is adopted, the Corporation may add or discontinue routes and services in accordance with the criteria and procedures set forth in the final proposal, notwithstanding the provisions of section 13a of the Interstate Commerce Act or of section 404(b) (3) of the act relating to discontinuance of service within the basic system.

The board's proposed criteria for new service and discontinuances may be categorized generally as economic, social, and environmental. Included in the proposed economic criteria are: financial contribution

per revenue passenger mile, total financial contribution, financial impact on connecting parts of the system, incremental capital investment requirements, and return on incremental investment.

The social criteria would comprise: population served, individuals currently using the route, population deprived of or provided with rail service, availability of alternate modes, and impact on personal safety.

The board's environmental criteria would include change in energy consumed, change in pollutants generated, and land freed for or removed from alternative use.

Procedurally, the first step in the process of addition or discontinuance would be for the Amtrak board to decide on strategic goals and objectives. Next, the president of Amtrak would develop—on an annual basis—financial performance standards for each economic criterion to be used in route and service evaluations. Those standards would then be adopted by the board as a “statement of guidance” to be followed in route and service evaluations.

Following the development of the policy guidelines, the Amtrak staff would continuously analyze current and proposed routes in the light of that statement.

Four key issues are anticipated:

One: Are the current economics of a given route satisfactory? If so, the route would be continued; if not, its future economics would be examined.

Two: Are the future economics likely to be satisfactory? If the answer is yes, the route would be continued—or added, as the case may be—if not, the staff would consider ways to improve performance.

Three: Could the service quality be upgraded—reduce timetable, change frequency, train size, et cetera—to improve the economics? If so, the result would be the same as under No. 2; if not, the staff would evaluate the routes' social and economic merits.

Four: Are there overriding social or economic benefits pertaining to the route? If the answer is positive, the route would continue; if negative, the route would be discontinued.

The Amtrak staff recommendations then would be forwarded to the Amtrak board, which would evaluate them with the assistance of the president. The staff would provide supplemental analysis as needed.

Having reached tentative decisions, the board next would solicit public comment, both oral and written. Oral hearings would be held if the public response indicated a need. Any such hearing would be attended by a member of the Amtrak board.

The staff then would review the comments and prepare a report for the president and board. Next, the president would make his final recommendations to the board, which would in turn make the final decision as to add or discontinue.

It is the Commission's opinion that the Amtrak proposal presents a well-formulated method for carrying out the purposes of the legislation.

The major shortcoming in the proposed criteria is the apparent failure to develop a method of giving a priority ranking to routes

and trains to meet the public need for a balanced transportation system, as specifically mandated in the act. Although no one would argue that such a task is easy, the value of a ranking system seems self-evident because it would give the layman a quick insight into the most likely future changes of service. For example, the act requires Amtrak to develop experimental routes extending service to the major population areas of each of the 48 contiguous States not included in the basic system. If Amtrak could develop the ranking system, interested parties from lower ranking prospective areas for service would learn that if they desire train service in the more immediate future they would have to seek a State subsidy for a section 403(b) route.

Similarly, a ranking system of existing trains would serve to warn communities on the low-ranking trains that patronage had better increase or the route will be in jeopardy. In short, the ranking system would provide seed information for the stimulation of public interest and discussion. In addition, other provisions of law relating to passenger service may be better utilized as a result of the better information which would be available.

For example, section 4(i)(2) of the Department of Transportation Act [49 U.S.C. sec. 1653 (i)(2)] which provides for 60 percent Federal financing of the total cost of conversion of a railroad passenger terminal into an intermodal transportation terminal, might be used more if the public were made aware that providing such an intermodal transportation terminal in an area might help retain an existing-but-threatened route, or perhaps such a terminal might be provided as part of a package instituting rail passenger service in a new area.

Of the criteria developed by Amtrak, the only one seemingly without much merit is the safety criterion. It is common knowledge that trains are somewhat safer than buses and far safer than passenger cars. How this fact would be given specific application in a given case is not readily apparent.

Mr. ROONEY. If I may interrupt for just a minute, Mr. MacFarland, how do you come to the decision that Passenger trains are safer than buses?

First of all, introduce your colleagues, please.

Mr. MACFARLAND. Mr. Richard Lewis of my staff and Mr. Ted Knappen, Legislative Counsel of the Commission and Mr. Brown of our auditor's office and Mr. Love of the Railroad Passenger Service group.

Mr. ROONEY. Now, my question is, why are passenger trains safer than buses?

I would like you to tell me how you reached that conclusion, because Amtrak's safety record, as I understand, is abominable when it comes to accidents.

Mr. LEWIS. Our figures are based upon transportation fatality statistics dating back to 1925. These statistics include Amtrak operations after 1971.

Mr. ROONEY. You may proceed, Commissioner.

Mr. MACFARLAND. The economic criteria generally are flexible since no hard and fast ratio of loss or other determinative factor is adopted. In drafting of the criteria, there was substantial sentiment for firm

loss ratios, which would automatically result in the cancellation of a train if it exceeds the relevant ratio or guideline. The Commission staff argued, however, that the intent the legislation would be disregarded by too inflexible an approach. The latter viewpoint has prevailed.

The National Association of Motor Bus Operators attack this flexibility on the grounds that it will permit Amtrak to retain uneconomic routes for vague social reasons. This criticism overlooks the report that the Amtrak staff will prepare on the basis of the public's response to any proposed change. That report should detail the social and environmental factors. Yet there can be no denying that the more flexible approach will permit greater Amtrak deficits, certainly at least over the short term. This may to some extent conflict with the Secretary's recent statement of national transportation policy which calls for "establishment of a firm limit on the Federal multiyear commitment of support to insure prudent investment and economical use of resources."

There is an additional criticism which enters at this point, namely that Amtrak will be applying its own criteria, without review by any other authority. On this point I believe that the criteria most likely will be used to expand service, in accordance with the congressional intent to expand rail passenger service nationwide, but on as economic a basis as can be managed. Therefore, although Amtrak will have considerable freedom in reaching its decisions, this freedom is fully consistent with the language of the legislation and the intent of the Congress.

The procedure for giving notice appears to have inadvertently omitted the Commission—this is the Interstate Commerce Commission—from the list of persons and organizations who are to be served with notice of proposed changes—appendix F-1, F-2. This omission should be corrected. Although the format for holding hearings appears to be satisfactory, the Commission perhaps should be reserved the right to make an appearance at any such hearing to present its own position.

No major flaws appear in the proposal with the exception of the failure to develop a method for a priority ranking of routes and trains.

The new criteria and procedures represent a radical departure for Amtrak, and hopefully will free it from the burdensome restraints in formulating its routes which no doubt have aggravated its operating losses. But as Senator Hartke stated in the floor debate, while the administration and the Congress recognize the importance of the Amtrak service both to national goals and to the many communities it serves, "there is a limit to the amount of resources we as a nation can properly devote to providing rail passenger service."

As a final matter, it seems worthwhile to note again my earlier observation that the new procedure will not take the ICC out of the train discontinuance business, because the Commission never was in the business as far as Amtrak is concerned. Also, the section 13a jurisdiction remains, both as to Amtrak and non-Amtrak trains, although it very likely will never be utilized by the former.

The only thing that remains to be seen is whether the new method will prove successful. Judging from the initial proposal, the new method may prove successful with the modifications proposed by the Commission.

That concludes my statement, Mr. Chairman.

Mr. ROONEY. Thank you.

First of all, I would like Mr. Lewis to provide for the committee the statistics on fatalities with respect to rail passenger service versus bus service.

Mr. LEWIS. I believe there are also injuries besides fatalities.

Mr. ROONEY. I would like those statistics also.

[The following information was received for the record:]

PASSENGER FATALITIES IN TRANSPORT VEHICLES¹

	Domestic scheduled air carriers		Buses ²		Rail		Supplemental air carriers		Local transit		Auto ³		Motorcycle		Water transport		General aviation	
	Number	Rate ⁴	Number	Rate ⁴	Number	Rate ⁴	Number	Rate ⁴	Rate ⁴	Rate ⁴	Number	Rate ⁴	Number	Rate ⁴	Number ⁵	Number	Rate ⁷	
1947.....	199	3.15	140	0.21	75	0.16	n/a	n/a	n/a	n/a	15,300	2.60	n/a	n/a	1,244	1,352	90.00	
1948.....	83	1.32	120	.18	52	.18	n/a	n/a	n/a	n/a	15,200	2.50	n/a	n/a	1,364	1,384	94.17	
1949.....	93	1.31	120	.20	29	.08	104	17.87	n/a	n/a	17,700	2.70	n/a	n/a	1,384	1,386	94.17	
1950.....	96	1.14	100	.18	184	.58	29	3.76	.07	.07	20,200	2.90	n/a	n/a	1,592	871	70.35	
1951.....	142	1.29	130	.24	150	.43	76	2.10	.07	.07	22,200	3.00	n/a	n/a	1,639	750	76.88	
1952.....	46	.35	100	.21	14	.04	26	2.07	.11	.11	23,300	3.00	n/a	n/a	1,639	691	71.08	
1953.....	86	.56	70	.18	50	.16	141	11.21	.10	.10	23,900	2.90	n/a	n/a	1,614	635	60.74	
1954.....	16	.09	60	.11	1954	.23	9	1.72	.12	.12	22,700	2.70	n/a	n/a	1,498	619	56.90	
1955.....	156	.75	100	.18	19	.07	27	1.92	.13	.13	25,100	2.70	n/a	n/a	1,498	689	56.87	
1956.....	148	.61	80	.16	57	.20	0	.00	.11	.11	26,600	2.60	n/a	n/a	1,508	800	56.18	
1957.....	31	.11	100	.19	17	.07	0	.00	.08	.08	24,100	2.30	n/a	n/a	1,574	717	43.18	
1958.....	114	.43	90	.17	62	.27	0	.00	.15	.15	25,600	2.60	n/a	n/a	1,653	823	47.95	
1959.....	209	.68	110	.21	12	.05	1	.06	.10	.10	24,800	2.30	n/a	n/a	1,595	787	44.49	
1960.....	297	.93	70	.10	33	.16	93	4.21	.02	.02	24,800	2.20	731	n/a	1,478	781	40.95	
1961.....	124	.38	100	.19	20	.10	151	9.79	.09	.09	24,700	2.10	697	n/a	1,480	761	40.95	
1962.....	121	.34	60	.11	26	.14	0	.00	.04	.04	26,800	2.20	759	n/a	1,445	857	43.62	
1963.....	48	.12	150	.26	13	.07	0	.00	.12	.12	28,900	2.30	882	n/a	1,416	893	43.59	
1964.....	65	.14	90	.15	9	.05	0	.00	.09	.09	31,500	2.40	1,118	n/a	1,461	1,056	48.42	
1965.....	205	.38	100	.16	12	.07	0	.00	.08	.08	32,500	2.40	1,515	n/a	1,493	1,029	40.15	
1966.....	59	.09	150	.23	17	.16	78	1.89	.07	.07	34,800	2.50	2,048	n/a	1,630	1,149	34.44	
1967.....	226	.29	120	.18	13	.09	0	.00	.06	.06	34,800	2.40	1,971	23.0	1,545	1,228	35.69	
1968.....	258	.28	140	.24	13	.10	1	.01	.10	.10	36,200	2.40	1,900	23.0	1,625	1,399	37.41	
1969.....	132	.13	130	.19	9	.07	0	.00	.10	.10	36,800	2.30	1,960	22.0	1,743	1,495	38.07	
1970.....	0	.00	130	.19	10	.09	46	.45	.13	.13	34,800	2.10	2,330	23.0	n/a	1,254	39.10	
1971.....	174	.16	130	.19	17	.24	0	.00	.05	.05	34,200	1.90	2,410	20.0	n/a	1,322	42.06	
1972.....	160	.13	130	.19	48	.53	0	.00	.16	.16	35,200	1.90	2,700	17.0	n/a	1,322	n/a	
1973 ¹	128	.10	170	.24	6	.07	0	.00	.05	.05	33,700	1.70	3,130	16.0	n/a	n/a	n/a	

¹ Excludes crew members on public carriers, nonpassengers killed by transport vehicles, and aircraft passenger deaths resulting from dynamite/sabotage accidents (39 in 1955; 1 in 1955; 29 in 1960; 37 in 1962; 41 in 1964).

² Includes fatalities in all bus type vehicles. For the rates for class I intercity carriers see supplementary information on source data page.

³ Includes taxis.

⁴ Fatality rate per 100 million passenger miles.

⁵ Number of local transit deaths not shown because source only publishes the rate.

⁶ Includes passenger and crew deaths from all causes aboard vessels of all sizes, the majority of which occurred aboard small pleasure craft.

⁷ Fatality rate per 100 million plane-miles (see note in source data).

⁸ Revised from prior edition.

⁹ Preliminary estimates by source.

n/a = not available.

PASSENGER FATALITIES IN TRANSPORT VEHICLES¹

	Domestic scheduled air carriers		Buses ²		Rail		Supplemental air carriers	
	Number	Rate ³	Number	Rate ³	Number	Rate ³	Number	Rate ³
1970.....	0	0.00	130	0.19	10	0.09	46	0.45
1971.....	174	.16	130	.19	17	.24	0	.00
1972.....	160	.13	130	.19	48	.53	0	.00
1973.....	128	.10	170	.24	6	.07	0	.00
1974 ⁴	158	.12	150	.21	7	.07	0	.00

¹ Excludes crew members on public carriers, nonpassengers killed by transport vehicles, and aircraft passenger deaths resulting from dynamite/sabotage accidents (39 in 1955; 1 in 1957; 29 in 1960; 37 in 1962; 41 in 1964).

² Includes fatalities in all bus type vehicles. For the rates for class I intercity carriers see supplementary information on source data page.

³ Fatality rate per 100 million passenger miles.

⁴ Preliminary estimates by source.

PASSENGER DEATHS AND DEATH RATES, 1955-74

Year	Passenger cars and taxis		Buses		Railroad passenger trains		Scheduled domestic air transport planes	
	Number	Rate	Number	Rate	Number	Rate	Number	Rate
1955.....	25,100	2.70	100	.18	19	0.07	156	0.76
1956.....	26,600	2.70	80	.16	57	.20	143	.62
1957.....	25,600	2.50	100	.19	17	.07	31	.12
1958.....	24,100	2.30	90	.17	62	.27	114	.43
1959.....	24,800	2.30	110	.21	12	.05	209	.69
1960.....	24,800	2.20	70	.13	33	.16	297	.93
1961.....	24,700	2.10	100	.19	20	.10	124	.38
1962.....	26,800	2.20	60	.11	28	.14	121	.34
1963.....	28,900	2.30	150	.26	13	.07	48	.12
1964.....	31,500	2.40	90	.15	9	.05	65	.14
1965.....	32,500	2.40	100	.16	12	.07	205	.38
1966.....	34,800	2.50	150	.23	27	.16	59	.09
1967.....	34,800	2.40	120	.18	13	.09	226	.29
1968.....	36,200	2.40	140	.21	13	.10	258	.28
1969.....	36,800	2.30	130	.19	9	.07	132	.13
1970.....	34,800	2.10	130	.19	10	.09	0	.00
1971.....	34,200	1.90	130	.19	17	.24	174	.15
1972.....	35,200	1.90	130	.19	48	.53	160	.13
1973.....	33,700	1.80	170	.24	6	.07	128	.10
1974.....	26,800	1.30	150	.21	7	.07	158	.12

Source: Railroad data from Federal Railroad Administration; airplane data from National Transportation Safety Board, Bureau of Aviation Safety; motor-vehicle data, approximation by National Safety Council based on data from state traffic authorities, Federal Highway Administration, National Association of Motor Bus Operators, American Public Transit Association and Federal Railroad Administration.

Mr. ROONEY. What are the standards the Commission has used in evaluating discontinuance of a passenger train under section 13a and how do such criteria differ from the criteria proposed by Amtrak?

Mr. MACFARLAND. On 13a and reading from a number of reported cases, some of which we brought today, but the Commission came up and followed a specific procedure or procedures to be followed by railroads in petitioning for discontinuance, indicating the form and type of public notice information required from the railroads to support their petition and format of any public hearings to be held.

Relative to criteria, the Commission did not state in a single document the criteria it would use in approving or disapproving a continuance. However, case histories from discontinuance proceedings indicate quite clearly that the criteria implicitly used by the Commission fell into two categories: Measuring impact on economics and the public convenience and necessity.

As the principal economic criteria, the ICC seeks to determine the financial effect of the proposed discontinuance on an individual rail-

road, namely, whether the continuation of a route or service would impose an undue burden on the carrier.

To permit this determination, the railroads prepared for ICC a review of income statement that specified one, the total revenues attributable to service along the route, and, two, the direct cost of operating the service.

With respect to public convenience and necessity, which today might be called "social factors," the "ICC" tries to ascertain the number of persons who would be inconvenienced if the train service were discontinued.

The ICC, in making this determination, treats factors such as total population served and potential ridership along the route as secondary to the impact of discontinuance on the actual number of persons riding the train.

However, a low ridership alone is not accepted as the key indicator that a route should be discontinued. Rather, the ICC also tries to ascertain whether poor service for the railroad has played a significant role in artificially depressing the level of ridership and in such cases instructed the railroads to continue and in some cases to upgrade the service.

That digest, sir, was taken from three or five cases which stated it, and then had restated it from time to time in discontinuance proceedings.

Mr. ROONEY. At this time, I would like to recognize a very distinguished colleague from Illinois, a new member of this committee, Congressman Edward R. Madigan, who just joined us after the resignation by Jim Hasings, and we welcome you at this time.

Mr. MADIGAN. Thank you, Mr. Chairman.

Mr. ROONEY. In our opinion, Commissioner, is the omission of a priority ranking system serious enough to recommend disapproval of the Amtrak criteria?

Mr. MACFARLAND. Sir, it was mandated by Congress.

The other things that were mandated to comply with this, for no reason I can see, were ignored. The only reason I can see to ignore it is, one, you attach no importance to any of them, or you attached equal importance to all of them, and that leaves you on the horns of a dilemma and it is difficult, as I view it.

Let me say this: This is not an easy job as to whether or not it is of such significance that Congress should reject this report. As to that, I doubt I am in a position to state. I would say to you, sir, that Congress either meant what it said or didn't mean what it said.

Mr. ROONEY. Congress does that occasionally, you know.

Mr. MACFARLAND. Well, I believe that Congress meant what it said because a rather complicated formula was followed here and everything was done but that.

Now, as a lawyer of 30 years practice, I know that in a title search, for instance, you have to start back twice the Statute of Limitations and bring it up and if there is a link in that chain of title that fails, that the whole title will fail.

Similarly, in a tort case, there are certain things that must be proved and the failure to prove one of those things, the case fails.

I am leading up to an answer that I believe to be that I think it

would be, as I say, if Congress meant what it said, and I am of the opinion it did, that that would be sufficient cause to reject the report.

Mr. ROONEY. What are your suggestions in developing a ranking system?

Mr. MACFARLAND. We have stated in my testimony that we have found no great fault with the other things that Amtrak has done here.

Are you asking me, sir, as I anticipate I might be asked that if I developed a ranking system, how I would rank these things?

Mr. ROONEY. Yes.

Mr. MACFARLAND. I would do in effect what the Interstate Commerce Commission has done in the past, and there are two things I would consider. This may not be the opinion of the Commission, but I am speaking for myself, sir.

I would say economic criteria and the public convenience and necessity, which is known by another name now, and the economic criteria, and Congress has mandated we should have or the American people should have a subsidized rail passenger service.

Now, as to when that cost gets too high to expand it, I am not prepared to say, but I would say that the economic criteria should be first, speaking for myself, and, second, the public convenience and necessity and public convenience and necessity is just pretty well self-explanatory.

That is, some of these criteria I mentioned in my testimony, the number of people served or the number of people who could possibly be served if the service were granted or if schedules were better or if anyone of a dozen things transpired, the number of people actually using the trains, the number of people who would be inconvenienced by the discontinuance of that train or trains—and I would come back, and as I say, this is my opinion and perhaps it may or may not be the Commission's but the economic criteria would be No. 1.

As to setting, or as to tell you where I should say the law should stop.

In other words, I have seen figures, but I don't have them at hand right now, that to haul a passenger Amtrak has to spend \$1.80 to make a dollar now.

Well, I am advised that is close.

Now whether it should be subsidized at 160 percent or 200 percent. I don't have any firm figures on that.

But I say in this day and time that cost must be considered.

Mr. SKUBITZ. Will you yield?

Mr. ROONEY. Yes.

Mr. SKUBITZ. Do I understand you correctly, sir, that you believe the criteria presented are better than the criteria used by the Interstate Commerce Commission?

Mr. MACFARLAND. No, sir. Mr. Skubitz, in many ways, it is the same criteria.

Mr. SKUBITZ. I didn't know you used any criteria down there. That is the reason I asked the question.

My second question is, what criteria do you use?

Mr. MACFARLAND. I read that criteria, as you were coming in, and I will furnish it to you, that they followed two, "economic" and "public convenience and necessity."

Mr. SKUBITZ. This is right and if I understand you correctly, your position is that you place the economic criteria, profit and loss, above public interest and welfare, is this correct?

Mr. MACFARLAND. I said, if I stated it, it would be the public would be placed above public interest and welfare.

I misstated myself. I said there were two criteria.

Mr. SKUBITZ. That is my statement, you say the dollar sign comes before public interest and convenience.

Mr. MACFARLAND. If I did, I misstated myself, but I meant to say there are two criteria I would adopt, economics, which I certainly would not shove in the background because there comes a time when the public cost must be considered, or the private cost.

Second is the public convenience and necessity.

Mr. SKUBITZ. Then, of the two criteria, which do you consider the most important?

Mr. MACFARLAND. Economic.

Mr. SKUBITZ. That is what I am saying, you put the dollar sign above the public interest and convenience?

Mr. MACFARLAND. Mr. Skubitz, let me say this is my opinion and I speak perhaps not for the Commission but I say they both have to be considered.

Mr. SKUBITZ. That is all, Mr. Chairman.

Mr. ROONEY. Mr. Hefner.

Mr. HEFNER. I think Mr. Skubitz asked one of the questions I was interested in.

There is one thing here where you have four key issues that are anticipated in analyzing current and proposed routes.

What I am interested in is your No. 4, "Are there overriding social or economic benefits pertaining to the route"? What constitutes "overriding social"?

Would this be jobs or would that come under "economics"? What would constitute "overriding social"? This is just the social part, not the economic benefits now.

Mr. MACFARLAND. These are given, and you are reading from page 8 of my prepared testimony, is that right?

Mr. HEFNER. Right.

Mr. MACFARLAND. Going back further in the development of policy guidelines, Amtrak staff would continue to analyze current and proposed routes and in the light of that statement four key issues are anticipated according to Amtrak.

Now, in answer, I would have to say, as I used to advice clients, when you get to a question where you don't know, be honest enough to say "I don't know."

Mr. HEFNER. I certainly appreciate that. That is the form I have used and used very often, I might say. But this is something that bothers me. What constitutes an overriding social benefit? What does it take in or include? I realize there is no pat answer for it.

Mr. MACFARLAND. I would only say those are matters that are going to have to be determined as we view it by Amtrak and not by ICC. That is why I didn't give it too much attention.

Mr. HEFNER. Could it include anything such as going through somebody's district who is influential? Would that be a social concern?

Mr. MACFARLAND. Yes, sir.

Mr. HEFNER. I think that is one of the questions that I might ask. Another is, what would be the effect on the passenger transportation system and what would be the effect on the public if the Congress told Amtrak flatly to live within its current appropriation rather than counting on supplemental appropriations this year?

Mr. MACFARLAND. It would, of necessity, cut out a good many routes and I would say, if that was said by the Congress, that Amtrak would have to cut down tremendously and serve only those areas between the most populated areas: Boston-New York, Philadelphia-Washington, and perhaps between Chicago and New York, between Dallas and Houston, between San Francisco and Los Angeles.

They would be intercity routes there, in other words, for Amtrak—well, as presently set up, I did a study or had a study made in the office and we figured that if every Amtrak train running today were running at 100 percent of capacity, which would be an impossibility, but if it was, I believe it was that it would take \$1.21 to make a dollar.

Those figures are not exact.

Mr. HEFNER. Mr. Rooney made the statement yesterday that if Amtrak ran 7 days a week at full capacity, it would lose something like \$75 million a year.

Mr. MACFARLAND. Yes.

Mr. HEFNER. One other thing you mentioned was that if you asked for further appropriations and there were none, you would have to cut back in some of the highly populated areas.

I believe the testimony indicated that the most important routes or the ones that are most violently contested in discontinuance proceedings are not necessarily the ones that were in the most populated areas. Perhaps some of the routes that go from the east to the west coast might be as important but would not have the population or participation as some other routes.

Now, you said Amtrak would determine if you would go on the Northeast corridor possibly?

Mr. MACFARLAND. Yes.

Mr. HEFNER. Would the Board determine this?

Mr. MACFARLAND. Under the proposed criteria that would be determined by Amtrak.

Mr. HEFNER. And they would say "We will just cut some of the traffic to the point where we don't have the participation or riders."

Mr. MACFARLAND. With the continued review and guidance of the Congress of the United States, telling them how much money they could have.

Mr. HEFNER. In other words, they could cut a route carrying 80 percent or cut one carrying 40 percent but the one at 40 percent capacity it might be as vital as the one at 80 percent?

Mr. MACFARLAND. Yes. Speaking of the vital nature, let me address this more a moment.

I heard a candidate from my home State of Tennessee for Governor say:

The finest road in the world was the Appian Way and the longest road was the one on top of the Wall of China and the most important road in the world is the one that goes in front of my house.

So, as to vital or necessary road, that road in Nevada or Arkansas or in the mountains of east Tennessee that is presently running is just

as important to them as the route that goes from New York to Washington or Boston to Washington.

Mr. HEFNER. I have the utmost respect for the intelligence and integrity of people in Tennessee, having been born in Tennessee. A lot of great people have come from that State.

Those are all the question I have, Mr. Chairman.

Mr. ROONEY. Thank you.

Mr. Skubitz.

Mr. SKUBITZ. I have more than one.

As I understand your philosophy the dollar sign comes before public interest.

Inasmuch as the postal authority is now a private organization that should be operating at a profit, are you willing to sit here today and say, "Since two-thirds of the post offices in Tennessee are operating at a loss, we ought to close all of them"?

Perhaps closing one in your hometown.

Mr. MACFARLAND. There are certain things the Government is apparently going to have to do.

Mr. SKUBITZ. That is the way I look at this whole question.

Thank you, Mr. Chairman.

Mr. MACFARLAND. Maybe I am one of those who had not come, we accept the Postal Service because I grew up with it. It was there when I was born and I became accustomed to it and maybe I have not come along fast enough in thinking to say that subsidized public transportation is a proper function of Government. It may be.

I think if it is a proper function of Government, somewhere there has to be a limit put on the amount of expenditures put into it. Where that is, I am not prepared to say, Mr. Skubitz.

But the public transportation may be one of those things where the Government is going to have to subsidize.

Mr. SKUBITZ. You feel then that the waterways, or that the careers parading up and down the rivers and waterways, ought to get their share of the freight and the construction of the canals and operation of the locks? Is this correct?

Mr. MACFARLAND. I don't think it would be unfair to ask the waterways to bear some of the costs.

Mr. SKUBITZ. Thank you. I appreciate your statement.

Mr. ROONEY. Mr. Madigan.

Mr. MADIGAN. Mr. MacFarland, please excuse me, I am brand new and this is my very first meeting and I am not familiar with your background at all.

Mr. MACFARLAND. Mr. Madigan, I am sort of new myself.

Mr. MADIGAN. How long have you been on the Commission, may I ask?

Mr. MACFARLAND. 3 years and 2 months.

Mr. MADIGAN. Did Mr. Skubitz establish that in your suggestions for ranking the priorities, that you would put the economic considerations first?

Mr. MACFARLAND. I believe Mr. Skubitz did. I am not backing down on that but I am saying along with the economic criteria some, or a great deal of consideration must be given to the public convenience and necessity.

And in those cases, mind you some years ago, when rail abandonments, rail passenger abandonments were before the Interstate Com-

merce Commission, both were considered. They never rated them. They didn't say "economics first, public convenience and necessity second," but they said they both must be considered.

I am of the opinion they both must.

Mr. Skubitz is an excellent questioner and he pinned me down and I will just have to admit how I feel about it, my own individual opinion.

Mr. MADIGAN. The reason I pursued it is it seems to me your position is contrary to the history of what the Commission did with the railroads when the railroads were operating passenger trains.

The public convenience and necessity question seemed to be paramount over the question of whether or not they made money.

Mr. MACFARLAND. It was given strong consideration and I could not argue that with you because in these four or five cases which reiterated the criteria that was set down, and it was repeated in these cases, they were given apparently equal treatment.

Mr. SKUBITZ. Will the gentleman yield?

Mr. MADIGAN. Certainly, Mr. Skubitz.

Mr. SKUBITZ. Sir, the very purpose of the Commission was to protect the public interest and you couldn't get a truck route if you wanted one unless you could establish it was in the public interest and convenience.

Now, maybe I have had this all wrong all my life because I thought the Commission was an arm of the Congress and in turn it was supposed to protect the public interest and convenience.

Mr. MACFARLAND. Mr. Skubitz, that is certainly before the Commission in its every move and certainly uppermost in my mind, but then, you come back to a question of public convenience and necessity, and we may be dealing in semantics here and argument, but it might not be in the public interest to force a railroad or a bus line or a truck company to continue indefinitely a highly unprofitable route and finally break it and have no service at all and certainly it is conceivable that that can be done.

Mr. SKUBITZ. That is the very reason in the Northeast Railroad bill, the Corridor bill, and the whole Northeast Corridor, we established the principle that if they lose money and want to go out of business they were going to try to find some way in order to keep them operating—the first year, Mr. Chairman, 100 percent and the next year 90 and 10, and that shows the feeling of Congress.

Being an arm of Congress I would hope the Commission would think a little like the Congress thinks.

That is all. Thank you, I yield.

Mr. MACFARLAND. Mr. Skubitz, we practically echo your views.

Mr. MADIGAN. May I pursue with you one moment, Commissioner, the broader question of public policy.

Since 1940, there have been about 3.2 million acres of land taken out of production in the United States by all forms of strip mining, whether talking about coal or iron, or whatever we are talking about, all strip mining has been 3.2 million acres of land.

Airport construction, since 1940, has been 3.4 million acres of land, or, in other words, we have taken 300,000 more acres of land out of production in the United States for airport construction in the past 35 years than all of the stripping put together.

Now a lot of Government money went into the airports and a lot of Government money continues to move into those airports. Many people like myself who have on occasion, when we can't avoid it, have to use O'Hare Field in Chicago, can look forward to a half hour to 1 hour delay, and to missing planes and to doing all kinds of things.

Would it be your suggestion that Amtrak, if they had passenger trains moving in and out of Chicago losing money, that those trains should be discontinued and the airport should be expanded even further?

Would you think that is good public policy?

Mr. MACFARLAND. Mr. Madigan, the Congress of the United States decided in 1970, as I read the Amtrak Act, we were going to have subsidized rail passenger service in this country and they created national transportation service.

The only point I was making, I was saying that maybe I am behind 20, 40, 50, 100 years in my thinking, I readily admit it.

Since that is the policy of Congress and since the Interstate Commerce Commission is an arm of Congress to carry out that policy, it is not for me to say that Congress was wrong about it. I have some opinions simply that the cost could eventually get so out of line that you could not justify it economically.

I am not advocating here today the abandonment of Amtrak. It is a public service. I am saying that somewhere there is a limit to the amount of money that the Treasury can put in to subsidize the public transportation. I don't know what it is. That is not a very good answer.

I would be the first to admit it. But I will say that somewhere there is a limit.

Now, as to what routes Amtrak has come up with routes for establishing a criteria here and we have found no great fault with it. We found the omission I had mentioned earlier, they had not rated or ranked these things and I anticipated I was going to be asked "All right, since you find this is a fault, how would you do it" and I have given to you, to the best of my ability an honest personal answer. It may not be the right answer but that is my feeling.

Mr. MADIGAN. Let me ask you one further question.

The District I serve, and I am what they call a rural Republican, the district that I serve is served by only one airline. That airline had gross revenues including Government subsidies a little bit in excess of \$14 million last year.

The Government's subsidy exceeded \$7 million, or 50 percent of the gross revenues of that airline.

You are talking about \$1.60 for \$1.00 and I am telling you that half of the revenues of that airline serving my district came directly out of the Federal Treasury.

I just think when the Interstate Commerce Commission, the Congress or anyone else starts making public policy decisions about transportation that it ought to be a lot more coordinated than it has been in the past and perhaps what we need to do is talk to one another more frequently.

I yield back.

Mr. MACFARLAND. Yes, Mr. Madigan, the purpose of my testimony was doing what Congress had directed ICC to do, we would comment on the criteria and that was the sole purpose.

I seem to, by some personal views, have elicited some strong questions here, but I tried to answer them to the best of my ability.

Mr. ROONEY. And I think you have been very candid, Commissioner. Off the record.

[Discussion off the record]

Mr. ROONEY. Commissioner, are you planning on getting all of the figures together on what to do with the criteria on Amtrak's supplemental request?

Because Mr. Reistrup said yesterday they may come back for a supplemental request.

Mr. MACFARLAND. So far as I know, we had no request to do it, but if you request it, we will do it.

Mr. ROONEY. You are prepared to come out?

Mr. MACFARLAND. I believe we could. It will take some time, but I believe we could come up with that.

Mr. LEWIS. We have a report that will be sent to Congress on March 15 and we will incorporate some figures, but will be glad to give you any other figures you need.

Mr. ROONEY. You are current?

Mr. LEWIS. Yes.

Mr. ROONEY. Do you feel there is any need for a supplemental appropriation?

Mr. LEWIS. If service is to be maintained or improved, yes.

Mr. ROONEY. Suppose they continue their routes under the present structure, without adding any additional routes, what then?

Mr. LEWIS. Well, the costs are increasing due to labor contracts, maintenance costs for the equipment, plus they have new equipment coming on the line and that must be paid for.

I believe the Federal drawdowns will be increased and they will run a greater deficit.

Mr. ROONEY. Commissioner.

Mr. MACFARLAND. One think I might add.

Mr. Skubitz mentioned we are an arm of Congress, which we recognize and know. We are charged with the adequacy of service regulations and in view of that we might have some comments concerning the need for a certain amount of funds to provide an adequate service of those trains that are presently running.

We work constantly with Amtrak with reports, making reports, that is, and receive these complaints, you know, certainly better than I, such as when they took over the rail service they had cars 20 to 30 years old that broke down and they were not compatible and they did the best they could with the equipment.

Now, they have brought new cars online and as these cars, and I have watched this service complaint thing as it comes from Mr. Love's office once a months, but as these new cars are brought into the system those service complaints have constantly dropped from a high of near 900 a month to down, for 1 month, below 500, that is a 40-percent drop in those things, that is, as the new cars came online.

That is also plus some experience in running the railroad.

I would have to say that Amtrak is doing a much better job today than they did 18 months ago or 2 years ago.

Mr. SKUBITZ. Mr. MacFarland, may I say this.

Personally, I have been dissatisfied with the track record of Amtrak for some time.

They come before this committee and say, "Well, our equipment is run down. When our new equipment gets here, we will move on down the road."

At least that is what they infer. I am not ready to accept that, when I know they are operating on a track, as I said yesterday, that would only carry a train down the road at 10, 20, or 30 miles an hour. There is no sense in having a 150-mile-an-hour train if it has to run at 20 or 30 miles an hour.

They have to do something about upgrading the tracks. I realize that the tracks belong to the company and we need to deal with them. That is one reason I am ready to hold a carrot out; to get the railroads to start building up the roadbeds.

Mr. MACFARLAND. Mr. Love, of our staff, is doing a study now and purely by way of interest, 1926, 1936, 1946, 1956 and today.

In 1926, he discovered a train that hit a speed, as I recall, of 131 miles an hour between Chicago and New York that had a program at that time that for every minute late that that train was coming into Chicago or going back to New York or the stations in between because it stopped once or twice, they refunded \$1 for every minute they were late.

This was in 1926, 50 years ago.

Mr. SKUBITZ. An interesting study.

May I say this to you, Mr. MacFarland. The only thing that shocked me is that you place so much emphasis on the economic phase of this over the public interest. I don't place them on that basis.

They have no responsibility to pick up loss after loss after loss, but, in turn, if we feel it is in the public interest perhaps we have to subsidize.

This is one reason I supported Amtrak and I do feel it is about time that Amtrak began reducing losses instead of telling me, "Boy, next year we will get a new train or coach or something like that and our problem will be solved," when I know that traveling between Chicago and the west coast and between Chicago and Florida, that if you had every seat on the train full, every seat taken for the whole distance, every pullman, everybody with his \$8.95 steak eating four meals a day you have to come up with something other than a loss figure.

There is something wrong when you operate that way. If it is their fault, if they can't give us some answers, let's get somebody else to operate Amtrak.

If conditions over which they have no control, persist, they should come to the committee and tell us and see if we can help them.

I want to see Amtrak make a "go" of it, but I can't see them making a go of it if they don't come up with the facts and tell us what their problems are so we can mutually work out some answers.

Mr. MACFARLAND. I simply gave you an account of the complaints, showing that I followed this complaint thing with interest, and we take those up with Amtrak within the limits of our jurisdiction, which is not great, but we take it up with Amtrak in an effort to work out and to better this situation.

It has, Mr. Skubitz, improved in the last 12 months and appears to continue to improve.

Now, what will happen when the hot weather hits us in Kansas and in Chicago and in Pennsylvania and Tennessee and other parts of the country and these cars start to break down again, I don't know.

But I do know that the complaints that reach us dropped from a high of almost 900 down to 400 a month, which would indicate that something is happening, to the point where people are not complaining as much.

Mr. SKUBITZ. Nothing further.

Mr. ROONEY. Commissioner, one final question.

Is it possible under existing law for Amtrak to petition the ICC for discontinuance under 13a and not apply its own criteria?

Mr. MACFARLAND. No, sir, it is not.

October 1, 1977, unless Congress, between now and then, amends that law again, they do not have the benefits of section 13a.

Mr. LEWIS. Mr. Rooney, if I may point out, the other railroads, non-Amtrak railroads have the right to petition the Commission for discontinuance and have used the right within the last year.

The Southern has discontinued two portions of trains in 1975 and we granted those discontinuances.

Mr. ROONEY. As I recall, you said earlier today, Mr. Lewis, that you presently have a detailed analysis of Amtrak's costs, is that correct?

Mr. LEWIS. We have a breakdown of various costs examined from different levels, different ratios, and different points of view.

That will be included as an appendix to the report of the Commission to Congress on March 15, but I can supply you those figures earlier.

Mr. ROONEY. I would appreciate it very much if you would supply it for the committee and the record will remain open until we have those figures.

[See Interstate Commerce Commission Report to the President and the Congress, "Effectiveness of the Act, March 15, 1976—Amtrak," appendix, pp. 72-93.]

Mr. ROONEY. Thank you very much.

That will conclude your testimony and I appreciate it very much.

Our next witness will be James C. Miller, Assistant Director for Government Operations and Research, Council on Wages and Price Stability, Washington, D.C.

I would appreciate it, Mr. Miller, if you would introduce your colleague for the benefit of the committee.

STATEMENT OF JAMES C. MILLER III, ASSISTANT DIRECTOR, COUNCIL ON WAGE AND PRICE STABILITY, EXECUTIVE OFFICE OF THE PRESIDENT; ACCOMPANIED BY VAUGHN WILLIAMS, GENERAL COUNSEL

Mr. MILLER. Thank you, Congressman Rooney.

I am joined today by my distinguished colleague Mr. Vaughn Williams, General Counsel of the Council on Wage and Price Stability.

I have a short statement which, with your permission, I would like to read into the record.

Mr. ROONEY. Yes; certainly.

Mr. MILLER. Attached to the statement is a copy of the comments of the Council on Wage and Price Stability [see p. 74], which I

would like to submit for the record. Also attached is a study entitled, "An Economic Policy Analysis of the Amtrak Program," [see p. 80].

Mr. ROONEY. Yes; you may proceed.

Mr. MILLER. Mr. Chairman, members of the committee: It is both an honor and a pleasure to be invited to appear before you today. As you know, the Council on Wage and Price Stability was established in August 1974 to monitor wages and prices and, among other things, to review and appraise the inflationary impacts of various actions in the private sector and those of the Federal Government. In this vein, on November 21, 1975, the Council submitted to Congress its views with respect to the possible inflationary impact of the National Railroad Passenger Corporation's proposed criteria and procedures for making route and service decisions for Amtrak. We concluded that the criteria proposed by the Corporation could have significant inflationary effects. This is not to say that Congress necessarily should reject or modify them. For other, possibly more important, reasons, Congress may wish to grant its approval. But it would appear to us that the likely inflationary effects are profound and that Congress should give serious consideration to rejecting the proposed criteria and directing the Corporation to provide something better.

As you know, the Corporation has proposed the following criteria for determining which of Amtrak's routes and services should be retained, and which deleted, and, which routes and services if any, should be added to the system: (1) Economic—measuring the impact of a route or service on Amtrak's current and projected financial status; (2) social—measuring the impact of a route or service on population offered Amtrak service and on actual ridership; and (3) environmental—measuring the impact of a route or service on energy consumption, air quality, and land use.

We have three major concerns with these criteria.

First: The Corporation states that these criteria are only indicative of the broad range of issues that will be considered in any decisions. Therefore, considerable latitude remains for the Corporation to render decisions that may conflict with one or more of these criteria.

Second: The Corporation has declined to place relative weights on the criteria it lists. On many occasions a decision will rest on which criteria are viewed as relatively more important and which are relatively less important.

Finally: Contrary to what is required by the Amtrak Improvement Act, the proposed criteria—and procedures—do not represent a method for establishing a priority ranking of routes and services. One party could utilize these criteria to establish a ranking that would be very different from another's ranking based on the same criteria.

The Council's analysis, summarized in the attached formal comments, demonstrates that any ranking of routes which is not based primarily on the economic criteria is likely to be inflationary. Although established in 1971 with expectations of ultimate profitability, Amtrak's losses have mounted year after year, going from \$137.4 million—on an annualized basis—in 1971, to \$147.5 million in 1972, to \$158.6 million in 1973, to a whopping \$272.7 million in 1974. By 1974 the Federal subsidy to Amtrak exceeded passenger revenues. Surely

this raises a serious question with respect to the economic wisdom of the criteria Amtrak has heretofore utilized in developing its system.

This question of rate and service selection is portrayed even more dramatically when comparisons are made with other modes of transportation. For example, in 1974, the direct per-passenger subsidy to Amtrak passengers was \$14.74, compared with \$2 per passenger for local service airlines, zero for trunk airlines, and zero for intercity buses. Even based on subsidized fares, Amtrak would appear to be the lowest cost mode of passenger transportation for only a very small portion of the population, and if Amtrak fares reflected fully allocated costs, Amtrak, as the system is presently configured, would appear to be an extraordinarily costly mode of passenger transportation.

Mr. Chairman and members of the committee, our premise is that governmental actions which increase the cost of passenger transportation are inflationary, and in this statement, and in our previous comments, we have attempted to indicate something of the magnitude of the problem. Moreover, our analysis, based on extensive studies by the Department of Transportation and Amtrak itself, shows that Amtrak's ability to provide efficient—that is noninflationary—service differs markedly by route. It is plausible that some configuration of Amtrak routes and services would be efficient—but the present system certainly is not. Of critical importance, in our judgment, the proposed criteria provide no remedy for this situation. Therefore, we urge Congress to consider seriously rejecting the instant proposal and directing the corporation to produce something better.

What might that "something better" be? We have two principal suggestions. First: The criteria should be objective and explicit. They should constitute a decision rule so clearly drawn that to the extent feasible its application by various parties would lead to the same rank ordering of routes and services. We realize that this is an idea and in practice it may not be feasible to develop such a standard. But in our judgment significant progress in this direction could be made over the criteria presently at issue.

Second: We would urge the Congress to pay particular attention to the inflationary aspects of the Amtrak system and, as appropriate, direct the corporation to give proportionately more weight to the economic criteria. This is not to say that no losing services should be provided. But to the extent that Congress wishes to subsidize services into particular areas we recommend that consideration be given to the merits—such as possible cost savings—of providing such subsidized service through other means of common carrier transportation and that the criteria take such alternatives into account.

Thank you for hearing our views on this important matter. I shall be glad to address any questions you might have.

[The attachments referred to follow:]

COMMENTS OF THE COUNCIL ON WAGE AND PRICE STABILITY ON THE NATIONAL RAILROAD PASSENGER CORPORATION'S PROPOSED CRITERIA AND PROCEDURES FOR MAKING ROUTE AND SERVICE DECISIONS

On October 29, 1975, the Board of Directors of the National Railroad Passenger Corporation sent to the Senate and to the House of Representatives its proposed criteria and procedures (the "Board Proposal") to be used when initiating new passenger rail routes and when discontinuing existing routes,

under the Amtrak Improvement Act of 1975 (the "Act"). This Board Proposal has been sent to the Congress, as required by the Act, to initiate a 60 day period within which either House could reject the proposal by a majority-vote resolution.

The Council on Wage and Price Stability has analyzed this Board Proposal and has concluded that the Board's proposed criteria may be inadequate. First, the criteria are highly subjective; the Board Proposal suggests no relative weights or rankings to guide the Board in applying the criteria to individual route decisions. Second—a related problem—the Board Proposal does not give adequate importance to the economic criteria. In the Council's view, these are significant problems. The use of economic criteria for route selections should be given a high priority to alleviate the current high costs (by comparison to other modes of transportation) of Amtrak's rail service.

Because of the importance of this matter, the Council hereby submits its comments for consideration by the members of the Senate and House Commerce Committees when reviewing the Board Proposal. It is the Council's recommendation that Congress clarify that the Board, when applying its Proposal to specific route decisions, will give greater weight to the economic criteria included in the Proposal.

THE COUNCIL'S INTEREST

The Council on Wage and Price Stability was established by the Council on Wage and Price Stability Act¹ to serve as a monitor of activities within both the public and private sectors of the economy that affect inflation or industrial productivity. Where programs of the federal government are developed through the administrative procedures of the federal agencies, the Council is authorized to intervene in those agency proceedings and express its view.² Where instead federal programs are developed through other procedures, the Council is authorized to "review and appraise" the inflationary impact of those proposals,³ focus attention on their impact on productivity,⁴ and finally to report its recommendations to the President and to the Congress.⁵

The Amtrak Improvement Act of 1974 did not require a public rulemaking procedure for the promulgation of the Board Proposal. Instead it only required that the Board consider comments submitted to it by the Department of Transportation and the Interstate Commerce Commission before any final Board proposal was submitted to the Congress. While not included by the Amtrak Improvement Act in this procedure, the Council is submitting its views for Congress' consideration because of the importance of this matter to the costs of passenger service and therefore to the possible contribution this industry may make to inflation.

THE BOARD PROPOSAL

The Board Proposal transmitted to the Congress is intended to achieve two purposes. First, it is intended to establish procedures for the Board's consideration of proposals to create or discontinue routes. Second, it is intended to establish the substantive guidelines or "criteria" that will be used by the Board in making such decisions. It is these "criteria" that are of concern to the Council.

The criteria contained in the Board Proposal, fully set forth as Attachment A to this report, are categorized by the Board as follows:

(1) Economic—measuring the impact of a route or service on Amtrak's current and projected financial status;

¹ See Public Law 93-387 (August 24, 1974) as amended by Public Law 94-78 (August 9, 1975), 12 U.S.C. 1904 note.

² Section 3(a)(8) of the Council on Wage and Price Stability Act authorizes the Council to "intervene and otherwise participate on its own behalf in rulemaking, rate-making, licensing and other proceedings before any of the departments and agencies of the United States, in order to present its views as to the inflationary impact that might result from the possible outcome of such proceedings."

³ Section 3(a)(7) of the Act authorizes the Council to "review and appraise the various programs, policies and activities of the departments and agencies of the United States for the purposes of determining the extent to which those programs and activities are contributing to inflation."

⁴ Section 3(a)(5) of the Act authorizes the Council to focus attention on the need to increase productivity in both the private and public sectors of the economy.

⁵ Section 5 of the Act directs the Council to report "its findings and recommendations with respect to the containment of inflation" to the President and Congress.

(2) Social—measuring the impact of a route or service on population offered Amtrak service and on actual ridership; and

(3) Environmental—measuring the impact of a route or service on energy consumption, air quality and land use.

These criteria are then discussed in the text of the Board Proposal.

The above criteria are only intended to identify the broad range of issues that the Board will consider in making route decisions. As such, they generally parallel the areas of evaluation required by Section 8 of the Amtrak Improvement Act.⁶ The Board Proposal does *not*, however, explain the weight or priority that each criterion will have in specific route decisions made by the Board. Thus, the Proposal does not at all set forth how specific route decisions will be made—or differently put, how the Board will allocate its budget, without increased federal assistance, among the many routes that it must decide to start, continue or discontinue. For this reason, in the Council's view the Board Proposal does *not* comply with the requirement of the Amtrak Improvement Act that the Board adopt methods for establishing a priority ranking system for routes and trains to meet the needs of the public convenience and necessity for a balanced transportation system. . . . Section 8 of the Act.

As set forth in the following section, it is important, in the Council's view, that greater weight be given to the economic criteria in the Board Proposal—that is, the criteria asking the question whether a route will improve or worsen Amtrak's poor financial status and therefore whether the total cost of passenger rail transportation will increase or decrease.

The Amtrak Improvement Act did require that the Board consider comments on its Proposal from the Interstate Commerce Commission and the Department of Transportation. The Commission's comments noted the need for some "specific method for ranking routes and trains in order of priority." The Department of Transportation also noted this shortcoming and specifically suggested that economic criteria be given principal importance. The Transportation Department commented that "it is the belief of the Department that the economic criteria are the starting point in the analysis of routes and services" and recommended that route decisions be made with the principal goal of not exceeding the Board's annual Congressional authorization level. The Board, however, rejected this recommendation.⁷

While declining to give priority to its economic criteria, the Board Proposal presents an "analytical approach" that the Board argues provides a "priority ranking system as required by the [Amtrak Improvement Act]." That analytical approach, set forth in Exhibit V of the Board Proposal, would first ask whether the current and future economic performance of a route is or can be satisfactory, and would then ask whether there are social or environmental benefits that would override the poor economic performance of a route. This approach, however, is clearly not a "ranking system." As the Board Proposal itself notes, it would give complete discretion to the Board to initiate or continue a route even though it might be incurring substantial financial losses to Amtrak.

THE POOR FINANCIAL PERFORMANCE AND HIGH COSTS OF AMTRAK'S SERVICE REQUIRE THAT PRIORITY BE GIVEN TO ECONOMIC CRITERIA IN FUTURE ROUTE DECISIONS

In the Council's view, the proposed economic criteria must be given considerable priority by the Board in order to reverse the current poor financial performance of the Amtrak rail system—a poor performance that results at least in part from the maintenance of over-expanded and unprofitable routes. The costs to date of Amtrak rail transportation, even by comparison to other forms

⁶ Section 8 of the Amtrak Improvement Act amends Section 404 of the Rail Passenger Service Act, 45 U.S.C. Section 564, to authorize the Board's promulgation of criteria and procedures that would account, briefly described, for the evaluation of (i) the economic and environmental impact of routes, (ii) the impact of routes on a total rail system, (iii) the extent of passenger demand for specific routes, and (iv) the availability of alternative transportation modes for specific routes.

⁷ The Board's October 29, 1975 report to the Congress says that "the Board found that it could not mechanistically assign a priority to any one criterion that would enable it to consistently outweigh any other."

of transportation, have been great enough to question whether noneconomic criteria can justify increased federal support of the Amtrak system.

Amtrak was created by the Rail Passenger Service Act of 1970. Its purpose was to "salvage" domestic rail passenger service, which had declined from 39.9 billion passenger-miles in 1947 to just over 6 billion in 1970. Amtrak was conceived as an experiment, to test the economic feasibility of a modern rail passenger system. Accordingly, regulation of Amtrak's rate and route decisions was transferred from the Interstate Commerce Commission to a quasi-public but for-profit corporation.

Since 1970, Amtrak has failed to develop a self-sustaining profitable business. Instead of narrowing the gap between revenues and expenses, the Amtrak experience has resulted in a widened gap. As Table 1 shows, Amtrak experienced \$91.6 million in operating losses for its eight months of operation in 1971; \$147.5 million in 1972; \$158.6 million in 1973; and \$272.7 million in 1974. Amtrak's \$272.7 million operating loss in 1974 amounted to between four and five cents per revenue passenger mile. Since the average Amtrak fare in 1974 was \$13.88, Amtrak experienced a per-passenger operating loss (and therefore a per-passenger direct federal subsidy) of \$14.74.⁸ At present, for each dollar collected in revenues, Amtrak spends in excess of \$2.00.

TABLE 1.—STATEMENT OF AMTRAK'S OPERATING LOSSES BEFORE FEDERAL OPERATING GRANTS, CALENDAR YEARS 1972, 1973, AND 1974¹

[In millions of dollars²]

	1972	1973	1974
Operating revenues.....	162.6	232.1	256.9
Operating expenses.....	301.1	345.3	497.7
General and administrative expenses.....	7.5	10.8	15.5
Interest expenses (net).....	1.5	4.7	17.5
Capitalized interest on advances for equipment in production.....			(1.1)
Total expenses.....	310.1	360.7	529.6
Operating loss (before Federal operating grants).....	147.5	158.6	272.7
Accumulated deficit (beginning of year).....	91.6	239.1	397.7
Accumulated deficit (end of year).....	239.1	397.7	670.4

¹ Sources: National Railroad Passenger Corp., annual report, 1973 (Feb. 15, 1974), app.; end *ibid.*, annual report, 1975 (Feb. 15, 1975), p. 26.

² Totals may not add due to rounding.

Not only are Amtrak's per passenger losses high, but they vary significantly by route. For example, Amtrak loses less than two cents per passenger mile in the Northeast corridor, but incurs losses of over ten cents per revenue passenger mile in the Chicago-Cincinnati-Washington/Newport News market, and over 19 cents per revenue passenger mile in its international service to Vancouver. (See Table 2.)⁹ For further example, Amtrak initiated (but since has discontinued) a high-speed turbo-train route that by itself lost over \$1 million in fiscal year 1973.¹⁰ While some of Amtrak's routes have been statutorily mandated, the Amtrak Improvement Act authorizes the Board to reconsider their continuance after March 1, 1977.

⁸ Based on Amtrak 1974 ridership of 18.5 million as reported in Amtrak's *Annual Report 1974* at 3.

⁹ It should be noted that these are only the directly allocable losses and do not include so-called "unallocable" expenses, which, on a system basis, approximately double these loss figures.

¹⁰ Cf., Secretary of Transportation, *Report to Congress on the Rail Passenger Service Act* (March 15, 1973) at 85, 92, 99.

TABLE 2.—REVENUE AND OPERATING LOSS BY ROUTE, FISCAL YEARS 1972, 1973, AND 1974
(in cents)

Route	Revenue per passenger mile			Direct operating profit (loss) passenger mile		
	1972 (actual)	1973 (actual)	1974 (Amtrak estimate)	1972 (actual)	1973 ¹ (actual)	1974 ² (DOT estimate)
Short haul:						
Northeast Corridor ³	6.9	6.8	7.2	+0.0	+0.7	(1.6)
New York-Buffalo	6.3	5.0	5.3	(8.1)	(4.0)	(4.1)
Chicago-Detroit	5.8	5.4	6.3	(4.4)	(4.5)	(5.3)
Chicago-Quincy ⁴	6.1	6.1	7.6	(3.7)	.8	(7.7)
Chicago-Dubuque ⁵	NA	NA	NA	NA	NA	NA
Chicago-Springfield ⁶	NA	NA	NA	NA	NA	NA
St. Louis-Milwaukee	5.0	4.6	4.7	(7.7)	(2.0)	(5.3)
Long haul:						
Boston-Florida	5.2	5.1	5.2	(2.8)	(2.1)	(2.2)
New York/Washington-Chicago	7.6	7.0	7.5	(4.9)	(3.4)	(.1)
Chicago-Los Angeles	4.0	4.5	4.5	(1.9)	(1.8)	.0
Chicago-New Orleans	4.7	4.7	4.5	(3.5)	(1.6)	(2.2)
Chicago-San Francisco	4.4	4.4	4.4	(2.7)	(1.6)	(1.3)
Chicago-Seattle	3.9	4.6	4.9	(2.9)	(2.5)	(.1)
Chicago-Cincinnati-Washington/Newport News	5.4	5.2	6.2	(9.7)	(9.7)	(10.2)
Los Angeles-New Orleans	4.1	4.0	5.1	(2.7)	(2.2)	(2.3)
Seattle-San Diego ⁷	4.7	3.6	3.7	(8.7)	(2.4)	(3.8)
New York/Washington-Kansas City	6.8	6.0	6.2	(21.4)	(7.1)	(2.4)
Chicago-Florida	5.7	6.0	6.9	(10.4)	(7.2)	(5.6)
Chicago-Houston	3.8	4.0	4.0	(5.7)	(4.1)	(3.2)
Other train operations	9.9	NA	5.3	(12.0)	(4.4)	NA
Sec. 403(a) Experimental Services:						
Washington, D.C.-Cumberland ⁸	6.7	6.3	2.6	(23.3)	(37.8)	(20.8)
St. Louis-Little Rock-Fort Worth	NA	NA	NA	NA	NA	(5.1)
San Joaquin Valley	NA	NA	NA	NA	NA	NA
International:						
Vancouver	NA	4.2	4.6	NA	(9.6)	(19.4)
Montreal	NA	5.0	5.6	NA	(5.4)	(2.4)
Fort Worth-Laredo	NA	6.1	6.1	NA	(13.7)	NA

¹ Fiscal year 1973 figures do not include the allocation of common facilities expenses totaling \$30.4 million to individual routes and thus understates route direct operating losses by this amount.

² Annualized from actual results reported by Amtrak for period July 1973-February 1974, also includes reallocation of direct operating costs by route based on generally accepted allocation procedures developed by the Federal Railroad Administration for purposes of this report.

³ Includes sec. 403(b) service for Boston-Springfield and Philadelphia-Harrisburg.

⁴ Amtrak-reported Northeast Corridor profit/loss figures for fiscal years 1972-74 do not include allocation of certain expenses for stations, maintenance and other facilities which should properly be assigned to this route. A reallocation of these expenses would result in higher annual route losses than shown for these years (the 1974 loss is estimated at about \$17 million as shown in the "1974 DOT Estimate" column).

⁵ Sec. 403(b) service.

⁶ Combined data for San Diego-Los Angeles, Seattle-Portland and Seattle-Los Angeles routes.

⁷ In fiscal year 1972 and 1973, includes Washington-Parkersburg experimental route.

Source: Secretary of Transportation, "The Rail Passenger Service Act of 1970; Report to Congress 1974," pp. 5 and 6.

The failure to date of Amtrak's performance is more significant when compared to the performance of competing modes of surface passenger transportation. The Amtrak rail system, with its present configuration of apparently overexpanded and unprofitable routes, cannot compete well against those other modes of passenger transportation. A recent study¹¹ has shown that Amtrak provides competitive service only for distances between 75 and 90 miles. For distances less than 75 miles, the automobile is cheaper, even if only one person rides. For distances over 90 miles, the bus is cheaper. Additional indication of Amtrak's relative price disadvantage is contained in Table 3. Of course, if Amtrak's fares reflected all of Amtrak's per passenger costs, the comparison would be even more dramatic. When time is considered as a cost of passenger transportation, Amtrak falls even further behind. In fact, bus travel is cheaper throughout, even based on Amtrak's subsidized fares.

¹¹ James C. Miller III, "An Economic Analysis of the Amtrak Program," in J. C. Miller III (ed.), *Perspectives on Federal Transportation Policy* (Washington: The American Enterprise Institute for Public Policy research, 1975) at 145-63. Since his completion of this study, Mr. Miller has become the Council's Assistant Director for Government Operations and Research.

TABLE 3.—COMPARISON OF AIR, BUS, AND RAIL PASSENGER FARES ON SELECTED ROUTES (ONE-WAY, AS OF JULY 1, 1974)

Route	Air ¹		Bus	Rail ²	
	Coach	First class		Coach	First class ³
Long haul:					
Chicago-Los Angeles.....	\$126.00	\$182.00	\$79.40	\$113.50	\$180.50
New York-Miami.....	94.00	127.00	58.40	65.25	118.50
New York-Chicago.....	68.00	88.00	41.30	43.25	94.50
Washington-New Orleans.....	87.00	112.00	46.70	69.00	115.75
Chicago-New Orleans.....	76.00	100.00	36.80	38.50	78.75
New Orleans-Los Angeles.....	134.00	174.00	75.60	93.50	151.50
Seattle-Los Angeles.....	86.00	111.00	45.10	69.50	124.50
Short haul:					
New York-Washington.....	29.00	38.00	12.90	13.75	\$ 25.00
				20.00	\$ 32.75
New York-Albany.....	23.00	30.00	7.00	7.25	-----
Chicago-Detroit.....	30.00	39.00	13.50	13.75	-----
Chicago-St. Louis.....	31.00	40.00	12.00	15.25	-----
Seattle-Portland.....	23.00	30.00	5.30	8.00	16.50
Los Angeles-San Diego.....	\$ 8.50	\$ 16.70	5.75	6.25	-----

¹ In September, a new cost related formula will be instituted that will generally raise short-haul fares and reduce long-haul fares.

² All Amtrak except Washington-New Orleans which is Southern Railway.

³ First class includes roomette or parlor seat charge.

• Conventional.

• Metroliner.

• Intrastate fares.

Note.—Long-haul air fares include meals; bus and rail fares do not.

Source: Secretary of Transportation, "The Rail Passenger Service Act of 1970: Report to Congress, 1974" (July 22, 1974), p. 15.

Currently, the level of federal subsidy provided Amtrak is higher than that provided its more efficient competitors. As noted above, Amtrak's per passenger direct subsidy for 1974 was \$14.74. By comparison, the direct subsidy to local service airlines during 1974 amounted to \$68.5 million, or approximately six-tenths of one cent per revenue passenger mile. With an average local-service air carrier fare of around \$31, this amounts to a subsidy of under \$2.00 per passenger carried. By even stronger comparison, the nation's trunk airlines (90 percent of domestic air service) provided service *without* direct subsidy, as did Amtrak's major competitor, the motor bus companies, which in 1974 carried 155 million passengers at an average fare of \$5.

CONCLUSION

The Amtrak rail system may, of course, be of substantial public importance despite its very high costs and poor financial performance to date. Congress has, for example, provided subsidies to other transportation modes—although as noted above the subsidies have been smaller on a per-passenger basis and the transportation services have been more efficient. The Council submits that the relative costs and benefits of the Amtrak system must be analyzed. Specifically, the Council is concerned that the Board review each Amtrak route with a principal concern for its economic impact on the Amtrak rail system. It is the Council's view that the Board Proposal does not adequately insure that the Board will give this importance to its economic criteria. If the Senate and House Commerce Committees call public hearings to review this Board Proposal, the Council would like the opportunity to participate.

Respectfully submitted,

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From: James C. Miller III (ed.), *Perspectives on Federal Transportation Policy* (Washington: The American Enterprise Institute for Public Policy Research, 1975).

AN ECONOMIC POLICY ANALYSIS OF THE AMTRAK PROGRAM

James C. Miller III

By enacting the Rail Passenger Service Act of 1970 (P.L. 91-518), Congress and the executive branch sought to "salvage" U.S. rail passenger transportation. To accomplish this end, the act provided for the establishment of a nongovernmental profit-making corporation which would take over from the railroads (at their option) and thereafter operate a national system of rail passenger service, with improved operating standards and competitive fares. With the capital acquired from participating railroads (\$197 million), and from the federal government in the form of direct grants (\$40 million) and loan guarantees (\$100 million), the corporation presumably would become self-sustaining within a two-year "experimental" period.

The Amtrak "experiment" has failed, inasmuch as the objective of a self-sustaining enterprise has not been achieved. While there has been a turnaround in rail passenger service and traffic on Amtrak's routes, the total effect has been one of replacing the passenger subsidy from railroad stockholders and nonpassenger users with an ongoing subsidy out of the public purse. In addition to describing the Amtrak program and explaining why the experiment failed, this paper will attempt to draw lessons from the failure which should be of value to policy makers engaged in running the program as well as those contemplating or administering similar programs in other sectors of the economy (as, for example, the United States Railway Association).¹

Brief History of Amtrak

Enabling Legislation. By the late 1960s intercity rail passenger service appeared on the verge of extinction. From a level of 39.9 billion revenue passenger-miles

The author wishes to acknowledge helpful comments and other assistance from George Douglas, Robert Gallamore, George Hilton, Boi Kuanyin, Robert D. Tollison, and the Texas A&M University Organized Research Program. Responsibility for all errors, omissions, and opinions remains, of course, with the author.

¹ Under provisions of the Regional Rail Reorganization Act of 1973 (signed into law on January 2, 1974), a newly formed United States Railway Association will reorganize the seven bankrupt Northeast railroads and will turn them over to a semipublic, nonprofit Consolidated Railroad Corporation. In many respects this reorganized provision of rail freight service parallels Amtrak's provision of rail passenger service.

in 1947, intercity train travel fell to just over 6 billion revenue passenger-miles in 1970.² Also, at the end of the decade, fully one-half of the remaining intercity trains were in discontinuance proceedings at the Interstate Commerce Commission (ICC).³ In April 1970, the Senate Commerce Committee reported favorably on a bill which would (1) have granted federal operating subsidies for a "basic national system" of passenger trains, (2) have provided financial support to the railroads for the rehabilitation of old equipment and the purchase of new equipment, and (3) have provided for federal supervision over service standards.⁴ The bill failed to reach a vote before Congress adjourned for the summer.

Meanwhile, the Department of Transportation (DOT) and its Federal Railroad Administration (FRA) began to develop an alternative program, with two major emphases differing from the emphases of the congressional approach. First, they wished to minimize the extent of needed federal support, and second, they planned to attack one of the alleged root causes of the rail service dilemma—"disinterested" railroad management.⁵ To minimize federal support, DOT proposed that the railroads be asked to "buy out" of their passenger losses by purchasing common stock in a new enterprise venture. To solve the problem of "disinterested" carrier management, DOT proposed setting up a separate corporation whose sole task would be to provide rail passenger service.

On October 30, 1970, President Nixon signed into law the Rail Passenger Service Act of 1970,⁶ essentially the DOT bill. The purpose and approach of the act is summed up in section 101:

The Congress finds that modern, efficient, intercity railroad passenger service is a necessary part of a balanced transportation system; that the public convenience and necessity require the continuance and improvement of such service to provide fast and comfortable transportation between crowded urban areas and in other areas of the country; that rail passenger service can help to end the congestion on our highways and the overcrowding of airways and airports; that the traveler in America should to the maximum extent feasible have freedom to choose the mode of travel most convenient to his needs; that to achieve these goals requires the designation of a basic national rail passenger system and the establishment of a rail passenger corporation for the purpose of providing modern, efficient, intercity rail passenger service; that Federal financial assistance as well as investment capital from the private sector of the economy is needed for this purpose; and that interim emergency Federal

² *Yearbook of Railroad Facts*, 1973 edition (Washington, D.C.: Association of American Railroads, 1973), p. 32.

³ *The Role of Intercity Rail Passenger Service: A Study of Amtrak's Mission* (Boston, Mass.: Harbridge House, 1973), p. 111-5.

⁴ U.S. Congress, Senate, Committee on Commerce, *Rail Passenger Service Act of 1970*, Report No. 91-765, 91st Congress, 2d session (April 9, 1970).

⁵ A preliminary version of the DOT approach is contained in Senator Winston Prouty's minority view, *ibid.*, pp. 76-88.

⁶ Public Law 91-518.

financial assistance to certain railroads may be necessary to permit the orderly transfer of railroad passenger service to a railroad passenger corporation.

Title II of the act required the secretary of transportation to recommend a "basic system" of essential rail passenger services which would form the corporation's initial route network. The secretary had thirty days to come up with and publicize the proposed system. Then, within ninety days of enactment in which to take into consideration comments by interested parties, the secretary's revised basic system would become final and would not be reviewable by the courts.

Title III of the act created a National Railroad Passenger Corporation, first known as "Railpax" (or "Railpox" by its critics) and later known as "Amtrak." Eight of the corporation's fifteen-member board of directors would be appointed by the President with the advice and consent of the Senate. One of the eight would be the secretary of transportation, and one would be a "consumer advocate." Three additional members would be elected by stockholders, and the remaining four would be elected by preferred stockholders (if any). Common stock would be sold initially to participating railroads only, with preferred stock (if any) being sold to nonrailroad interests. An annual report to Congress, including legislative recommendations, would be required of the new corporation.

Under title IV of the act, the corporation was required to take over intercity rail passenger service and begin operations by May 1, 1971. The rail passenger service taken over would include the secretary's "basic system" as well as any additional service the corporation wished to include and any service which would not otherwise have been included but for which a state, regional, or local agency agreed to defray two-thirds of the corporation's losses. Actual operations would continue to be provided by the railroads and by railroad employees, under the corporation's direction. Also, and quite importantly, the corporation would be exempt from ICC regulation of rates, fares, and charges, and from ICC control over passenger-service route entry and train discontinuances.⁷ Payments to the railroads for their services would be made through contracts based on costs actually incurred with a 5 percent increment to cover some common costs and other non-identifiable but passenger-related expenses.⁸

The act established the corporation's capitalization. The corporation would be paid for common stock. Participating railroads would have to pay the lesser of: (1) one-half of their "fully distributed passenger deficit" for the calendar year 1969, (2) their "avoidable loss" on intercity passenger service for 1969, or (3)

⁷ The exemption from ICC control over abandonment applied to setting up the basic system. Routes in this initial system would have to be maintained until July 1, 1973, and then discontinuance of any portions would have to receive ICC approval.

⁸ In the event the corporation and the railroads were unable to reach a mutually satisfactory contractual arrangement, the ICC was given the power to prescribe terms and conditions.

twice the "avoidable loss" incurred during 1969 over the routes the carrier had included in the secretary's revised basic system.

There was also direct federal assistance. Title VII of the act authorized the secretary of transportation to make (or insure) loans to railroads for the purpose of purchasing the corporation's common stock; so long as the aggregate amount did not exceed \$200 million. Title VI authorized the transportation secretary to pay the corporation \$40 million to assist in getting the organization underway. It also provided that the secretary could guarantee loans made to the corporation in an amount not to exceed \$100 million.

Amtrak's Experience to Date. Transportation Secretary John Volpe issued his preliminary report on the "basic system" on November 30, 1970, and included in it a network linking seventeen cities. Secretary Volpe's revised "basic system" was issued on January 28, 1971, and included four additional cities, with a concomitant expansion in the network.⁹ The new corporation expanded this network slightly and put it into operation on May 1, 1971.¹⁰ In addition to the financial backing conferred on the corporation by the \$40 million federal grant and the \$100 million in loan guarantees, the corporation agreed to receive \$197 million over a three-year period as the participating railroads' "entrance fee" into the program (that is, the railroads would pay \$197 million for the purchase of common stock). Four railroads took the option of not joining in exchange for continuing passenger service on their own until January 1, 1975: Southern Railway, Denver and Rio Grande Western, Chicago and Rock Island, and Georgia Railroad.¹¹

The new corporation, now renamed Amtrak, quickly ran into financial difficulty. After exhausting its \$40 million grant, it began relying on railroad (common-stock) entrance-fee payments to defray its operating losses. By the fall of 1971 (after only six months of operation), Amtrak had begun to use the \$100 million in federal loan guarantees to cover operating losses.

Facing an anticipated loss of \$152.3 million during fiscal year 1972, Amtrak petitioned Congress for additional funding of \$170 million. Congress responded with amendments to the original legislation, authorizing an additional \$225 million capital grant (of which \$170 million was later appropriated), plus an addi-

⁹ U.S. Department of Transportation, Secretary of Transportation, *Final Report on the Basic National Rail Passenger System*, January 28, 1971.

¹⁰ National Rail Passenger Corporation, *Annual Report*, October 29, 1971.

¹¹ In 1972, these four carriers accounted for approximately 17 percent of intercity rail passenger service. See U.S. Congress, House of Representatives, Committee on Appropriations, *Department of Transportation and Related Agencies Appropriations Hearings for Fiscal Year 1974*, 93rd Congress, 1st session, part 2, p. 1053. Under provisions of the act, railroads not joining the venture had their passenger service "frozen" until January 1, 1975. After that, they could petition the ICC for approval of discontinuances, with the presumption that the corporation would then pick up any essential routes. In any event, nonparticipating railroads were required to cooperate with the corporation in providing interconnecting service.

tional \$100 million in loan guarantees.¹² This legislation also limited the salaries of Amtrak officials to \$60,000 per year and required additional reporting to Congress on the problem of the recurring deficit. Finally, the legislation admonished Amtrak to get on with the business of adding new and experimental routes, and also to take more control of the passenger service operations away from the railroads.

Table 1 shows Amtrak's sources and application of funds for fiscal years 1972, 1973, and 1974, together with totals for all three years. Note that offsetting the \$1,217.0 million in fund applications are only \$542.9 million in operating revenues. Note also that government support (\$278.4 million in direct grants and \$200 million in loan guarantees) accounts for over 39 percent of total funds. (The railroad's contribution—entry-fee payments for common stock—accounts for just over 15 percent.) Moreover, Amtrak's operating deficit remains sizable, although it would appear to show some signs of diminishing. For fiscal year 1972 the operating deficit was \$152.3 million; for fiscal year 1973, it is expected to be \$124.0 million; and for fiscal year 1974, \$95.6 million. Since the narrowing of the deficit is only predicted, not actual, we must not place a great deal of faith in such claims. Even making a linear extrapolation from the estimated changes in shortfall (approximately \$28 million per year), it would be 1980 before the operating deficit would be eliminated (not counting capital expenditures or depreciation).

While admittedly Amtrak is losing money, may it not be doing better than the operation it took over? First, we note that Amtrak appears to have reversed (temporarily, I would say) the secular decline in rail travel on the routes it took over. Yearly total figures are not readily available, but on the basis of monthly samples, Amtrak has reported total ridership increases on the order of 10 percent per annum.¹³ How has Amtrak accomplished this turnaround? Several factors are obvious. First, it has benefited from extensive advertising, both commercial and (more important) "free" in the form of extensive media coverage. Second, Amtrak has lowered rates on many of its price-sensitive routes (New York-Boston, for example). Third, Amtrak has refurbished many of its cars, making them cleaner and more comfortable. Fourth, Amtrak has trained railroad personnel to be more courteous and helpful to customers. Finally, Amtrak has instituted a number of marketing advances, including a nationwide system of schedules, computerized reservations and ticketing, improved food service, package tours, and modernized terminals.¹⁴

But before we judge performance, there are other comparisons to make. For the eight months of operations during calendar year 1971 (the latest period for which I have the requisite data), Amtrak's operating loss was \$77.7 million, or 3.3 cents per revenue passenger-mile. With an average fare of \$8.14, this meant a

¹² P. L. 92-316, *Amendments to the Rail Passenger Service Act of 1970*, June 27, 1972.

¹³ National Rail Passenger Corporation, *Annual Report*, February 1, 1973, pp. 19-20.

¹⁴ National Railroad Passenger Corporation, *Amtrak at Two: A Progress Report*, 1973.

Table 1
AMTRAK SOURCE AND APPLICATION OF FUNDS
(*\$ in millions*)

	FY 1972 (actual)	FY 1973 (plan)	FY 1974 (plan)	Three-Year
Cash at Beginning of Period	\$ 12.2	\$ 3.2	\$ 3.9	\$ 12.2
Source of Funds				
Operating revenues	152.7	179.4	210.8	542.9
Federal grants	77.6	107.8	93.0	278.4
Federal guaranteed loans	17.0	83.0	100.0	200.0
Railroad capital payments	65.0	65.1	54.7	184.8
TOTAL	312.3	435.3	458.5	1,206.1
Application of Funds				
Operating expenses (not including depreciation)	305.0	303.4	306.4	914.8
Capital expenditures:				
Equipment and facilities	21.4	126.1	100.0	247.5
ROW and corridor improvements	—	—	50.0	50.0
Subtotal, capital expenditures	21.4	126.1	150.0	297.5
Accrued liabilities	(5.1)	5.1	—	0
Repayment — prior loan	—	—	4.7	4.7
TOTAL	321.3	434.6	461.1	1,217.0
Cash at End of Period	\$ 3.2	\$ 3.9	\$ 1.3	\$ 1.3

Source: Secretary of Transportation, Report to Congress on the Rail Passenger Service Act (Washington, D.C.: U.S. Department of Transportation, March 15, 1973), p. 102.

per-passenger operating deficit of \$6.26.¹⁵ By comparison, in 1970 (before Amtrak), the railroads' deficit solely related to passenger service was \$252 million, or only 2.3 cents per passenger-mile. On an average fare of \$1.46, this meant a per-passenger deficit of \$1.32.¹⁶ If the entire 1970 service deficit were attributed to intercity passengers, the result would be a passenger-mile deficit of 4.1 cents, or \$7.78 on a \$8.14 fare as compared with Amtrak's per-passenger loss of \$6.26.¹⁷ Also, by comparison, during 1970 the direct federal subsidy to local service air carriers amounted to \$45.9 million, or less than one cent per local-service passenger-mile. On an average local-service fare of \$23.71, this amounted to a per-passenger subsidy of only \$1.73.¹⁸

It must therefore be concluded that, measured by individual performance figures, Amtrak is not succeeding very well. This is all the more difficult to comprehend when it is realized how much rail passenger service shrank when Amtrak took over. As is shown in Table 2, between April 30, 1971 (before Amtrak) and October 31, 1971 (after Amtrak), total train-miles per day fell by 57 percent. Presumably, it would be the "marginal" or chronic money-losing routes that Amtrak (and the secretary) would have chosen to discontinue. Yet, while operating 57 percent fewer train-miles and 34 percent fewer trains, Amtrak has incurred per-passenger-mile deficits at least comparable with those obtained by the railroads.

Reasons for Amtrak's Failure

This section attempts to identify reasons for the apparent failure of the Amtrak experiment.

The Secular Decline in Rail Travel. Economists have long cited population, income, price, and travel time (as well as other "quality" characteristics) as being the major determinants of the demand for travel. The demand for travel is especially related to income and is usually estimated to be income elastic (that is, a given percentage increase in income will usually lead to a greater percentage

¹⁵ Association of American Railroads, *Statistics of Railroads of Class I in the United States, Years 1961 to 1971*, 1972, p. 16.

¹⁶ *Yearbook of Railroad Facts*, pp. 21, 32, 34 and 35.

¹⁷ Reported figures do not break down the deficit by commuter versus intercity travel. In 1970, before Amtrak, intercity travel accounted for approximately 27 percent of railroad passengers carried and 58 percent of revenue passenger-miles. Association of American Railroads, *Statistics of Railroads*, p. 7.

¹⁸ See U.S. Civil Aeronautics Board, *Handbook of Airline Statistics*, 1971 edition, pp. 111, 209 and 215. It should be noted that this estimate is based on all local service carrier traffic, not just that for which subsidy is provided. Eads, for example, reports that for traffic that would not be accommodated by local service or commuter airlines on a subsidy-free basis, the per-passenger subsidy for 1969 is on the order of forty dollars. See Eads, *The Local Service Airline Experiment* (Washington, D.C.: The Brookings Institution, 1972), p. 186.

Table 2
INDICES OF THE LEVEL OF INTERCITY RAIL PASSENGER SERVICE

Indices	April 30, 1971	October 31, 1971	Percent Change
Train Miles/Day			
Northeast corridor (NEC)	16,231	16,453	+01
Other than NEC	147,548	57,481	-63
Total	163,779	73,934	-57
Number of Trains/Day	290	192	-34
Route Miles	49,533	24,379	-51

Source: U.S. Department of Transportation, *Status of Intercity Railroad Passenger Service* (Washington, D.C.: U.S. Department of Transportation, November 1971), p. 20.

increase in travel). Of course, the greater the population, the greater the demand for travel; the relationship here is considered to be approximately proportional, or perhaps slightly greater than proportional. The relationship between price and the demand for travel is generally considered to be price inelastic (that is, while a given price change will have an inverse effect on quantity demanded, this effect is less than proportional). The same is true of travel time, another component of the "full cost" of travel.¹⁹ Thus, between 1950 and 1970 total travel in the United States rose from 506 billion passenger-miles to 1,181 billion passenger-miles.²⁰ During the same period, the U.S. population rose from 154 million to 208 million, and per capita income rose from \$1,877 to \$4,756.²¹ Costs of travel fell for some modes (especially air), and there were marked increases in transit speeds. (See Table 3.)

But while total travel has grown significantly, its growth has not been shared by the railroads. As shown in Table 3, most of the growth has been in auto travel. In percentages, air travel has grown even more. Bus travel has remained approximately constant. Rail travel has fallen from 32 billion revenue passenger-miles in 1950 to just 11 billion revenue passenger-miles in 1970.

The reasons for the secular decline in rail travel are fairly straightforward. First, and most importantly, the wider availability of automobiles, their increased comfort, higher speeds, lower (real) costs of operation, and the substantial completion of a network of high-speed, limited-access interstate highways have made the personal automobile the dominant form of intercity travel. While bus transportation has lost in market share, it has held its own absolutely through increased speeds and more comfortable equipment. Air travel, of course, has increased its share of travel markedly through increased comfort, higher speeds, relatively con-

¹⁹ In other words, a traveler has an opportunity cost on his time, usually fairly accurately measured by his wage rate. This is one reason why the demand for travel is so sensitive to the level of income.

²⁰ U.S. Department of Commerce, *Statistical Abstract of the United States, 1972*, p. 536.

²¹ *Ibid.*, pp. 7 and 315.

Table 3
TIME SERIES CHARACTERISTICS OF AUTO, BUS, RAIL,
AND AIR TRAVEL, 1950-1970

Characteristic and Year	Auto	Bus	Rail	Air
Total Travel (billions of passenger-miles) ^a				
1950	438	26	32	10
1955	637	25	29	23
1960	706	19	22	34
1965	818	24	18	58
1970	1,026	25	11	119
Average Price (revenue per passenger-mile in current cents) ^b				
1950	N.A.	1.89	2.74	5.56
1955	N.A.	2.05	2.70	5.36
1960	9.76	2.71	3.03	6.09
1965	11.02	2.88	3.14	6.06
1970	11.89	3.60	4.02	5.96
Average Speed (miles per hour) ^c				
1950	48.7	49.8	37.4	180
1955	52.0	52.3	39.8	208
1960	53.8	55.5	40.7	235
1965	57.8	57.4	41.3	314
1970	60.6	58.8	40.3	350

^a Data from U.S. Department of Commerce, *Statistical Abstract of the United States, 1972*, p. 536. Air travel includes "general aviation" as well as commercial.

^b Data from *Statistical Abstract, 1972*, p. 548, and U.S. Department of Transportation, *1972 National Transportation Report* (Washington, D.C.: Government Printing Office, July 1972), p. 75. Auto entries are not in current (1972) cents; also, the "1965" auto entry is based on a report for 1968.

^c Data from *Statistical Abstract, 1972*, pp. 549, 557 and 567. Entries for air are for domestic scheduled (commercial) service.

stant fares, and lower "full costs" of travel (because of rising incomes as well as increased speeds). Rail service, by comparison, has lost significantly. First, rail fares have risen over time. Second, rail's average speed started low and has declined relative to the speed of the other surface modes. Finally, as is well known, rail passenger service (equipment and personnel) has been decidedly inferior to other modes and has further deteriorated over time.²²

Amtrak's Present Competitive Disadvantage. When Amtrak took over rail passenger service it sought to reverse this secular decline by making rail service "competitive." While it has made vast marketing improvements, including important recon-

²² Undoubtedly this is due in part to regulatory restraints on fare changes and train discontinuances. That is, rail passenger losses forced a deterioration in service. This point should be kept in mind when attributing rail-passenger failures to "disinterested" management.

ditioning of equipment, it remains at a serious disadvantage in the cost of the service to the individual traveler. On the basis of a sample of thirty-nine city-pair markets, I estimated the direct costs faced by the passenger as a function of trip distance. The estimates are shown in Table 4, and the cost/mileage relationships are given in Figure 1.²³ For distances of less than seventy-five miles, the automobile is the cheapest mode of transport, even if only one person rides. At distances greater than ninety miles, the bus is cheaper than Amtrak (but for no distance is air cheaper). This leaves Amtrak with a cost advantage only for distances between seventy-five and ninety miles.²⁴

Adjustments can be made in these figures in order to obtain a more accurate comparison of the options facing the traveler. Assuming that the traveler values his time at \$5 per hour, we may use transit times to estimate the total opportunity cost on time and then add this opportunity cost to the monetary cost of the trip to obtain a measure of the trip's total cost. Results of these calculations are shown in Table 5 and Figure 2.²⁵ They suggest that for distances less than fifty miles auto is cheaper, whereas for distances over ninety-five miles air is cheaper, leaving, again, a fairly narrow range for Amtrak to hold a competitive cost advantage. (Bus dominates Amtrak on this basis at distances greater than 610 miles.)²⁶

Finally, we might also take into consideration the time involved in waiting for a departure. There is usually a difference between a traveler's most desired time of departure and the scheduled commercial departure closest to it. (Of course, waiting time for the auto may be considered zero.) With this adjustment, valuing waiting time at \$5 per hour, we come up with the passenger "full cost" relationships reported in Table 6 and Figure 3.²⁷ The results given in Table 6 imply that

²³ Equation correlation coefficients were .981, .983, and .969 for Amtrak, air, and bus, respectively.

²⁴ If imputations are made for fare levels which would cover Amtrak's cost, the resulting formula is passenger expense (\$) = $7.637 + .07323 \times \text{distance}$, with a correlation coefficient of .913 (Data source: Secretary of Transportation, *Report to Congress on the Rail Passenger Service Act*, March 15, 1973, pp. 85 and 92.) If those were the fare levels actually charged, at no distance would Amtrak have a competitive advantage (for example, bus would dominate Amtrak entirely, and auto would be cheaper up to 262 miles). See Figure 1.

²⁵ Transit time/distance correlation coefficients were .972, .964, and .995 for Amtrak, air, and bus, respectively. (Auto transit was assumed to be the same as that of scheduled bus service.) The relevant equation for Amtrak cost-based fares was passenger expense (\$) = $7.637 + .2012 \times \text{distance}$.

²⁶ Bus dominates Amtrak entirely when the passenger option is based on Amtrak cost. Also, on this basis auto dominates up to 211 miles, and air dominates Amtrak past 40 miles. See Figure 2.

²⁷ This "schedule delay" component of total time cost was estimated for each route using the relation, $T = 92 \cdot F^{-.456}$, where T = schedule delay (in minutes) and F = daily one-way frequency. This relation is the result of simulating departures which minimize waiting time, given a typical time distribution of demand (correlation coefficient = .497). See George W. Douglas and James C. Miller III, "Quality Competition, Industry Equilibrium, and Efficiency in the Price-Constrained Airline Market," *American Economic Review*, September 1974. Frequency delay/distance correlation coefficients were .325, .166, and .249 for Amtrak, air, and bus, respectively. The relevant equation for Amtrak cost-based fares was passenger expense (\$) = $12.71 + .2052 \times \text{distance}$.

Table 4
DIRECT COSTS TO THE TRAVELER, AS A FUNCTION
OF TRIP DISTANCE, BY MODE, 1973

Mode	Fixed Component (\$)	Variable Per Mile (\$)
Amtrak	3.095	.04818
Air ^a	10.810	.06626
Bus	3.827	.03996
Auto ^b	0	.10230

^a Coach fare, including 8 percent federal tax.

^b Assuming one-passenger occupancy (against the national average of 1.9), standard-size auto, less a portion of depreciation, registration, and titling (such private "costs" are not relevant to choice of mode), and, finally, inflated to 1973 (as against 1972) price level.

Source: Amtrak—*All-America Train Fares, Edition 3* (Washington, D.C.: National Railroad Passenger Corporation, July 1, 1973); air—*Official Airline Guide, North American Edition* (Oak Brook, Ill.: Reuben H. Donnelley Corp., July 1, 1973); bus—ICC tariffs inspected at Greyhound bus lines terminal in Bryan, Texas during July 1973; and auto—U.S. Department of Transportation, *Cost of Operating an Automobile* (Washington, D.C.: Government Printing Office, April 1972).

Table 5
PASSENGER MONETARY COST OF TRIP, PLUS OPPORTUNITY COST
ON TIME IN TRANSIT (@ \$5 PER HOUR), BY MODE, 1973

Mode	Fixed Component (\$)	Variable Per Mile (\$)
Amtrak	3.095	.1762
Air	12.720	.0751
Bus	3.827	.1750
Auto	0	.2373

Source: See Table 4; and Secretary of Transportation, *Report to Congress, 1973*, pp. 15 and 16.

Table 6
PASSENGER MONETARY COST, PLUS TIME IN TRANSIT AND
SCHEDULE DELAY (BOTH @ \$5 PER HOUR), BY MODE, 1973

Mode	Fixed Component (\$)	Variable Per Mile (\$)
Amtrak	8.170	.1801
Air	14.520	.0757
Bus	6.228	.1771
Auto	0	.2373

Source: See Table 5.

Figure 1
COST-MILEAGE RELATIONSHIPS IN DIRECT PASSENGER COSTS, 1973

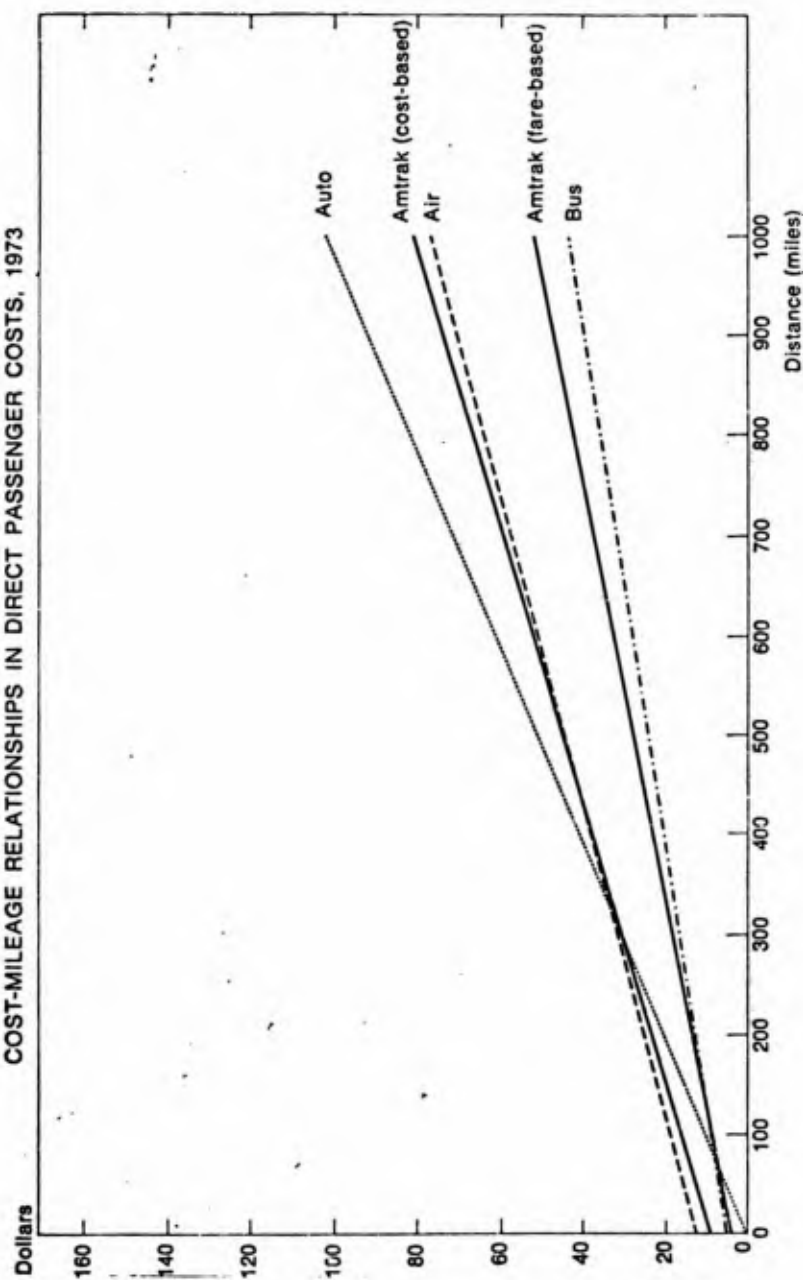


Figure 2
COST-MILEAGE RELATIONSHIPS IN DIRECT PASSENGER COSTS PLUS
OPPORTUNITY COSTS ON TIME IN TRANSIT (@ \$5 PER HOUR), 1973

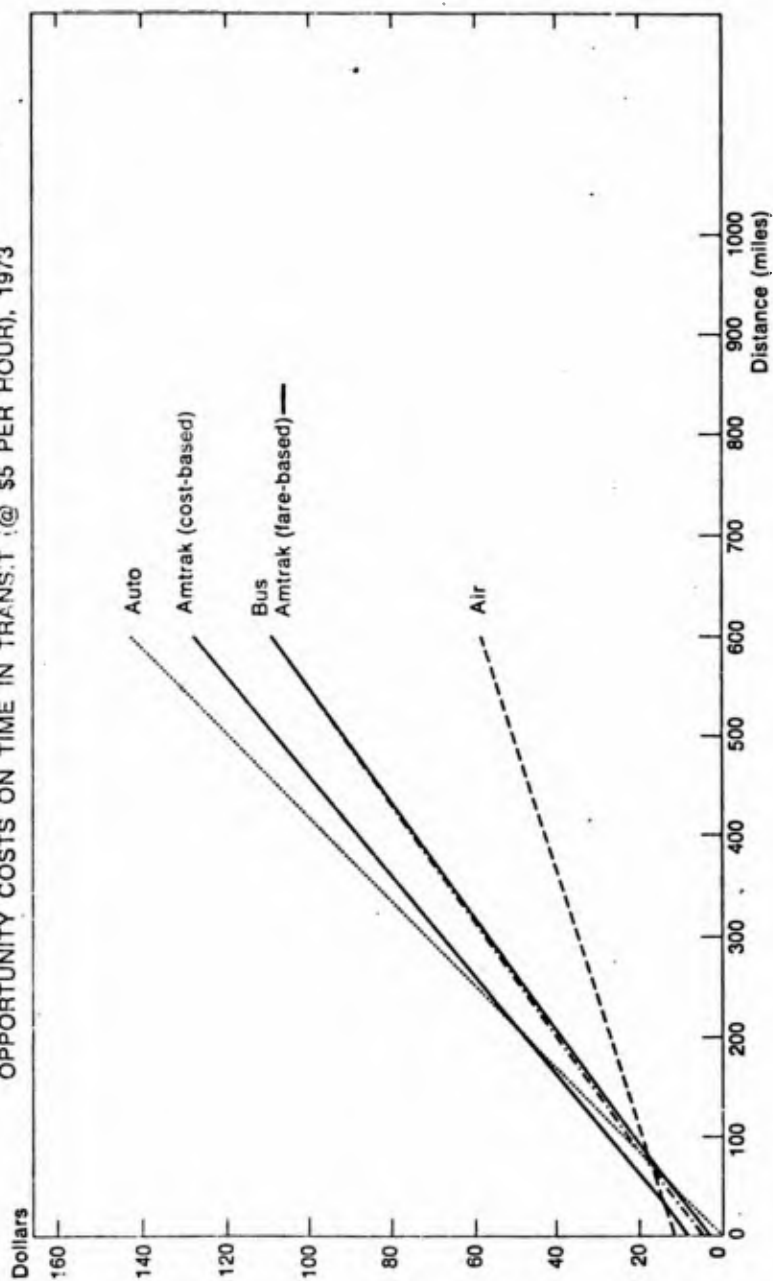
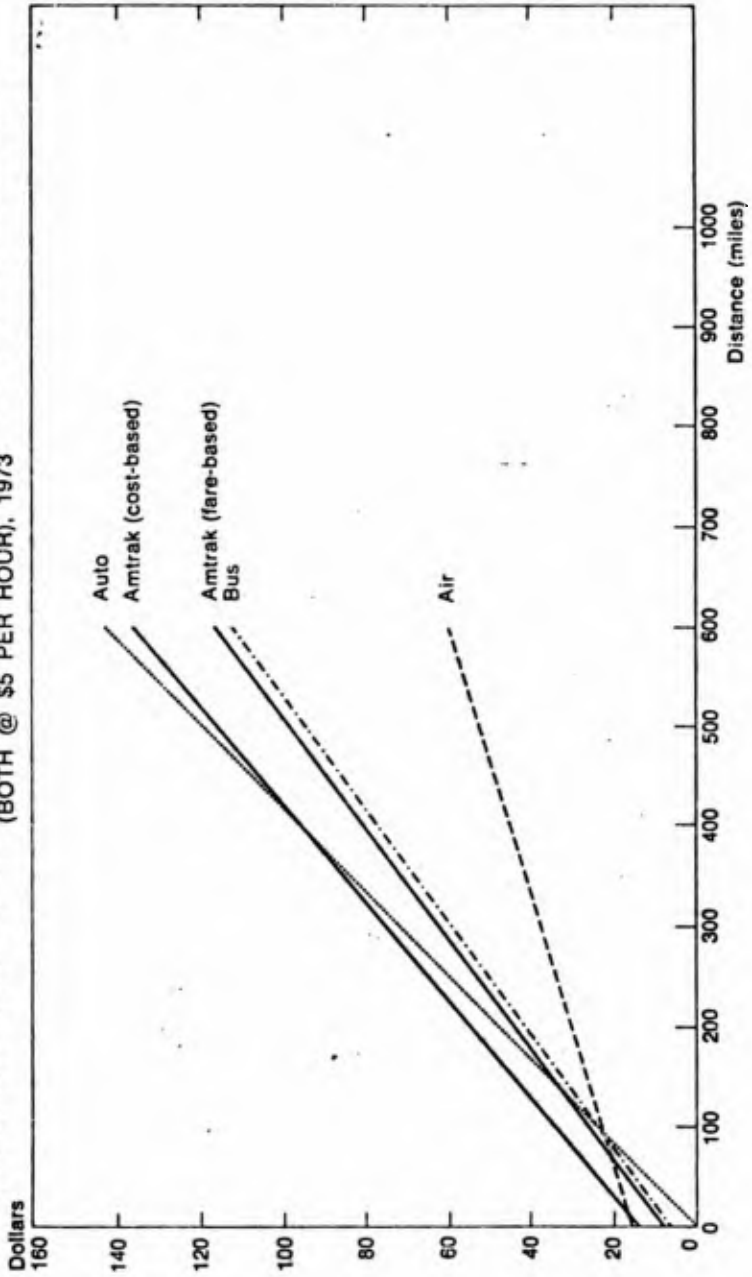


Figure 3
 COST-MILEAGE RELATIONSHIPS IN DIRECT PASSENGER COSTS PLUS
 OPPORTUNITY COSTS ON TIME IN TRAVEL AND OPPORTUNITY COSTS ON SCHEDULE DELAY
 (BOTH @ \$5 PER HOUR), 1973



bus travel dominates Amtrak at every distance. Auto travel is cheaper up to 142 miles, and air travel is cheaper at distances over 61 miles.

These comparisons, of course, are based on broad aggregates, a representative sample of markets, and certain limiting assumptions. They do not necessarily mean that no rational person would ride Amtrak. In some markets, for example, Amtrak's speeds and frequencies are higher than they are on average and thus the service does fairly well (as, for example, in the Northeast corridor). Also, some individuals have lower opportunity costs than others, and for them Amtrak's speed and frequency disadvantage is not that important.²⁸ Finally, some people just prefer to ride by rail and will do so even at an apparent "full cost" differential. But the results of the comparisons should lead to a severe questioning of Amtrak's potential for making significant inroads into the markets of competitive modes of transport.

Other Reasons for Amtrak's Failure. Granted that Amtrak is at a severe disadvantage overall, could it not specialize in markets where it holds at least a *comparative* advantage? Actually, of course, specialization of this kind was an important objective of the original legislation. By "pruning" the system, it was believed a viable service could be developed and maintained. In fact, although the interstate rail passenger system shrank to something less than one-half its original size, this shrinkage was excessive and had characteristics which produced sizable losses for the corporation. For example, congressional and other pressure caused the secretary to expand the initial "basic system" from seventeen cities to twenty-one cities. Amtrak then added its own routes to this basic system, including international service and an experimental turbotrain between Washington, D.C., and Parkersburg, West Virginia. Moreover, Amtrak had to add four section 403(b) routes (New York-Chicago via Cleveland, Springfield-Boston, Chicago-Quincy, and Philadelphia-Harrisburg), where state and local governments paid only two-thirds of Amtrak's losses.²⁹ Moreover, Amtrak increased the number of trains it operated from 184 to 214.³⁰

Another reason for Amtrak's failure has been its inability to shed chronic losing routes after they have become part of the "basic system." (Under the Rail Passenger Service Act all routes had to be continued until at least July 1, 1973, and even then discontinuances of basic-system routes would require ICC approval.) As shown in Table 7, the range of losses (both total and per passenger-mile) is quite wide. Most notably, the "West Virginian" turbotrain between Washington

²⁸ For example, surveys show that large proportions of Amtrak riders are female and/or elderly. See Richard M. Michaels, Transportation Consultants, *Railroad Passenger Service Analysis of Train Scheduling and Operations*, February 22, 1973.

²⁹ Secretary of Transportation, *Report to Congress*, p. 11. The New York-Chicago via Cleveland route was later discontinued when the required payments did not materialize.

³⁰ Daniel R. Ross, "A Critical Look at Amtrak," *Proceedings of the Transportation Research Forum*, 1972, p. 15.

Table 7
AMTRAK'S PROJECTED OUT-OF-POCKET LOSSES AND
PER-PASSENGER-MILE LOSSES, BY ROUTE, FISCAL YEAR 1973

Route	Out-of-Pocket Loss (In millions of dollars)	Loss Per Passenger Mile (In cents)
Short-haul		
Northeast corridor	(6.2) ^a	0.7 ^b
Chicago-St. Louis	0.9	2.7
Los Angeles-San Diego	0.7	3.9
Seattle-Portland	0.8	4.9
Chicago-Detroit	1.2	8.6
New York-Buffalo	2.6	4.6
Chicago-Carbondale	0.7	2.6
Chicago-Milwaukee	2.0	15.4
Washington-Parkersburg	1.1	33.3
Long-haul		
Chicago-Los Angeles	3.0	0.8
New York-Florida	5.1	1.1
Chicago-Seattle	4.9	2.0
Chicago-San Francisco	4.1	2.5
Seattle-San Diego	2.1	3.4
Los Angeles-New Orleans	2.0	2.4
Chicago-New Orleans	1.5	1.6
Southern Montana	2.6	3.5
New York-D.C.-Chicago	4.1	3.9
Chicago-Houston	4.5	4.0
Chicago-Florida	2.6	5.7
Chicago-D.C.-Newport News	3.0	12.0
New York-D.C.-Kansas City	4.9	14.7

^a Out-of-pocket profit.

^b Includes Boston-Springfield and Philadelphia-Harrisburg section 403(b) services.

Source: Secretary of Transportation, *Report to Congress, 1973*, pp. 85, 92 and 99.

and Parkersburg was projected to lose (out of pocket) over \$1 million during fiscal year 1973, at an incredible 33.3 cents per passenger-mile. Not too surprisingly, the "West Virginian" was favored by U.S. Representative Harley O. Staggers (of Keyser, West Virginia), chairman of the House Commerce Committee, which presides over Amtrak legislation. Other routes also have been notorious money-losers. These include Seattle-Portland, Chicago-Detroit, New York-Buffalo, Chicago-Milwaukee, Chicago-Houston, Chicago-Florida, Chicago-D.C.-Newport News, and New York-D.C.-Kansas City. (See Table 7.) By eliminating these routes (together with the "West Virginian"), Amtrak could have cut its losses by at least \$22 million.²¹

²¹ Note from Table 7 that in absolute terms the largest losses are in long-haul markets; however, surprisingly, there is little difference between short-haul and long-haul losses per passenger-mile.

A Note on Amtrak and the Energy Crisis

During the winter of 1973-1974 the nation was racked by an "energy crisis" which brought on elaborate federal controls over the allocation of petroleum distillates. Concomitantly, Amtrak reported extremely favorable traffic and revenue figures, giving rise to considerable optimism over the program's future.³² For several reasons this optimism is not well grounded.

First, the major reason for Amtrak's success was that alternative modes of travel were severely restricted. There were, of course, limitations on gasoline production and consumption. Even more important, the great uncertainty over gasoline availability led many persons to choose against intercity driving. In view of the fact that approximately 88 percent of all intercity travel was still by automobile (see Table 6), only a small portion of these travelers needed to "switch" in order to increase rail travel markedly. Air transportation was also restricted, with scheduling cutbacks of approximately 20 percent. But if the shortage (at given prices) is temporary, or prices are eventually to be relied upon to allocate petroleum products, this advantage for Amtrak will wither away.

Even assuming significant long-term rises in fuel prices, it is difficult to imagine that rail passenger service will become significantly more "competitive" because fuel costs for the various modes are not all that important a factor in total costs. For example, in a study sponsored by Amtrak, Harbridge House estimated that a doubling of petroleum costs would raise auto costs 1.3 cents per passenger-mile, would raise bus costs 0.9 cents per passenger-mile, and would raise air transport costs 2.8 cents per passenger-mile.³³ But from the figures given in the report, we may also infer that Amtrak's cost will rise, perhaps by more than a penny per passenger-mile.³⁴ Such a rise would not produce much of a change in the competitive position of Amtrak. In fact, it would appear to give bus service a greater relative advantage. In short, it appears unlikely that the energy crisis will have much of a long-term rehabilitating effect on Amtrak.

Lessons of the Amtrak Experience

Perhaps the most important lesson one can learn from the Amtrak experience is that there are perfectly understandable economic reasons for the demise of rail passenger transportation and that even the federal government will encounter great difficulty (that is, great cost) in "repealing" the relevant laws of supply and demand. On the demand side, the full costs of the other modes of travel (especially

³² See Albert R. Karr, "Reviving the Rails: The Energy Crisis Now Seems to Ensure the Success of Amtrak," *Wall Street Journal*, December 28, 1973.

³³ *Role of Intercity Service*, pp. IV-53 to IV-58.

³⁴ *Ibid.*, p. IV-63. Bus consumption of energy per passenger-mile is only 64 percent that of rail.

air) have continued to go down, whereas the cost of rail-passenger service has remained constant or perhaps has increased. On the supply side, a regulatory climate which restrained management's flexibility in adjusting rates, introducing new services, and discontinuing uneconomic routes led to a decrease in overall service availability. What has happened to rail passenger transportation is both explainable and, what is more important, will continue unless truly significant government intervention is maintained to alter the rational behavior of consumers and producers.

A second lesson from the Amtrak experience is that what started out as a fairly good idea—that of removing rail passenger service from the existing institutional arrangement—quickly became perverted through the establishment of constraints which ruled out the set of feasible profitable alternatives. By the late 1960s it was apparent that a viable rail passenger system just could not be maintained within the existing constraints on abandonment and rates. Amtrak was to remove those restraints, allowing the discontinuance of losing routes and giving the management of the system the requisite flexibility to compete in price and service with alternative modes. Surely, if there existed the possibility of a viable rail passenger network, then the probability of finding it would be maximized by reducing these constraints.

But look at the new restraints placed on the provision of service. First, the new corporation would have to serve the routes set out in the secretary's "basic system." While profitability was one of the major criteria in selecting these routes, it was not the only one.³⁵ Furthermore, after the proposed system was announced, pressure forced the secretary to expand the initial basic system. Moreover, Amtrak, responding to additional pressure, expanded the system on its own.³⁶ Along the same lines, Congress has required Amtrak to continue expansion. For example, the latest Amtrak legislation (P.L. 93-146, November 3, 1973) commits Amtrak to initiating at least one experimental route per year, the route to be operated for at least two years. That same legislation denies Amtrak the authority to discontinue any part of the basic system until July 1, 1974 (previously the date was July 1, 1973). Finally, of potential far-reaching significance, this latest legislation gave the ICC authority over minimum Amtrak service standards.³⁷ Thus, while arguably each individual constraint can be "justified," in toto they appear to have limited

³⁵ The final criteria were as follows: (1) the nation's total transportation needs, (2) demand, (3) cost, (4) integrated national rail network, (5) population, (6) profitability, (7) corporate flexibility, and (8) capital improvements required. See Secretary of Transportation, *Final Report*, pp. 1-3.

³⁶ Amtrak's criteria for specifying the basic-system routes were: (1) market opportunity, (2) cost economics, (3) ridership, (4) physical characteristics (condition of right-of-way, for example), and (5) alternative transport modes (that is, adequacy of other transport alternatives). National Rail Passenger Corporation, *Annual Report*, 1971, pp. 6 and 7.

³⁷ These were issued by the ICC on December 27, 1973, as part of *Ex Parte*, no. 277 (Sub-No. 1), "Adequacy of Intercity Rail Passenger Service."

Amtrak to a narrow set of alternatives, none of which is consistent with a viable, self-supporting enterprise.

A third lesson from the Amtrak experience relates to the way the legislation was passed and the way the initial organization was set up. "Railpax" was a last-minute alternative to a bill instituting direct subsidies to the railroads. Without detracting from the yeoman service undertaken by DOT personnel in devising and mapping out the original scheme, it may be noted that with more time for planning the results might have been somewhat better. In that same vein, Railpax did not go through the conventional hearing procedure, where weak points in the legislation might have been uncovered; instead, it was introduced on the floors of the House and Senate and passed without extensive deliberation.³⁸

The hasty procedure led to several shortcomings in the original legislation. First, given the constraints placed on the corporation and the expectations of Congress, it was underfinanced; this became apparent almost immediately. Second, the corporation was given too little authority in negotiating with the railroads over the provision of Amtrak services. The contracts finally agreed upon are characteristically "cost-plus," with little control by Amtrak over the quality and character of the services provided.³⁹ Third, in view of a very short deadline for initiating service, the corporation devoted most of its efforts to getting some kind of rail passenger service underway. As is evidenced by an Amtrak contract to Harbridge House to help define Amtrak's "mission,"⁴⁰ it would appear that the corporation had no (internal) coherent, well-articulated set of objectives.⁴¹

A final lesson from the experience concerns efficiency in political decision making. In participating in the congressional budget process, advocates of a new program nearly always have an incentive to understate its expected cost and overstate its expected benefits. Once a program is underway and turns out to cost more and have lower benefits than Congress anticipated, its advocates can always point to sizable "sunk costs." The relevant decision variable at any point in time is how much more needs to be spent to accomplish a stated objective, not how much has been spent. This is one reason why experimental programs quickly become permanent institutions. In this specific case, it would appear that the advocates of Amtrak were (and remain) much too optimistic about the future of rail passenger transport. Congress has yet to face up to the fact that to maintain a rail passenger service of the type commonly envisioned is going to require an ongoing (and perhaps increasing) subsidy from the general taxpayer.

³⁸ Some may argue that this was an advantage in keeping the proposal "clean."

³⁹ See National Rail Passenger Corporation, *Annual Report*, 1971, pp. 3-5, for a discussion of Amtrak's initial experiences negotiating with the railroads, and Appendix I for a standard Amtrak-railroad contract.

⁴⁰ *Role of Intercity Service*.

⁴¹ See National Rail Passenger Corporation, *Annual Report*, 1971, pp. 1-36.

Mr. ROONEY. Yesterday, Mr. Miller, the DOT representative stated that the Department, and I will quote: "wholeheartedly endorsed Amtrak's criteria" whereas today you stated the Council is opposed to this criteria.

Could you explain to this committee which organization officially speaks for the administration and why did you come to such different conclusions?

Mr. MILLER. That is a tough question.

With respect to the first part of it, I think there is a disagreement. I surely have a great deal of respect for Deputy Secretary Barnum.

Mr. SKUBITZ. Will you yield?

Did you say that was a tough question or a good question?

Mr. MILLER. Both.

Mr. SKUBITZ. The reason I asked, is that I have heard that whenever a witness tells a Congressman that he asked a good question or a tough question, what the witness means to say is "Drop dead." Is that what you mean?

Mr. MILLER. In order to secure my job, I shall not answer.

Mr. SKUBITZ. You answered the question.

Mr. MILLER. Well, it was a question quite frankly I anticipated and it is a tough question to answer. I have a great deal of respect for Mr. Barnum, the Deputy Secretary of Transportation. He is one of the finest public servants I know.

It appears, though, that on this issue we came to different conclusions. I don't think in that respect there is an administration point of view on this particular issue. Perhaps, too, it is a matter of emphasis. I'm sure there are a lot of other criteria that one can conceive of that would be grossly inferior to the kinds of criteria Amtrak suggested. Where Mr. Barnum and I disagree apparently is on the feasibility of making them more precise and perhaps on how much more emphasis one would give to the economic criteria.

The Department of Transportation's formal comments to the Amtrak board in response to their publication of the preliminary version of their criteria, as you recollect, did emphasize the economic criteria, that is, that the economic criteria should be the starting point.

Mr. ROONEY. I wonder if you would explain to the committee in more detail why you believe the proposed criteria are likely to have a profound inflationary effect or effects?

Mr. MILLER. My major problem is that there is so much discretion allowed in the criteria. If I were administering the criteria, I might choose a system of routes and services that would be much less inflationary than might someone else. That is not to say I am smarter than they are, but they may have a different sense of what is important and unimportant than I would.

They might, for example, choose a number of routes where they believed the environmental and social factors overrode the prospect that the services would lose a great deal of money. I tend to emphasize the profit and loss criteria in determining which routes and services should be retained and which ones added.

Mr. ROONEY. There is a vote on the floor at the moment. We will recess the committee for 15 minutes.

[Brief recess.]

Mr. ROONEY. On page 2 of your testimony, you criticized Amtrak because the corporation has declined to place relative weights on the criteria that it lists and yesterday Amtrak testified that it gave considerable study to placing weights on the criteria and concluded it was an impossible task.

This being the case, Mr. Miller, how would you propose that Amtrak place weights on criteria and what weights do you propose for each criteria?

Mr. MILLER. Well, sir; I don't think it is an impossible task. I think someone, for lots of reasons, might choose not to do it. As I indicated, I would give a lot of weight to the economic criteria. If I were establishing the criteria, I would visualize an algorithm a little bit different from the one proposed by the Board.

Essentially, I would take a number of steps. I would ask whether the route or service were profitable and, if so, it should be retained. If it were not profitable, I would ask if it were likely to become profitable in the very near future. I might note parenthetically that there is a temptation to overestimate future profitability. The history of Amtrak has been one of overestimating profitability or underestimating losses identified with various routes and services. But using conservative estimates of revenues and costs, if it could be made profitable, I would retain it. But I would endeavor to make it profitable as soon as possible. If it were not profitable, and it could not be made profitable, I would ask "Are there alternative means in being of providing passenger service?", or in other words, "Do passengers have other options that are as good" and if so, I would delete the service. If not, I would ask another question: "Would it be possible to provide comparable service more cheaply by some other means?", whether it be subsidized air transportation or even subsidized bus or automobile transportation; that is, "is there some other transportation that is cheaper"?

Mr. ROONEY. How would you subsidize auto transportation?

Mr. MILLER. Perhaps by submitting a voucher verifying distance traveled. Alternatively, the gasoline sold in a particular area could be subsidized. Perhaps I am getting far afield, but in terms of common carrier transportation that is not a particularly troublesome kind of problem to address. In any event, if there were no possibility of providing subsidized transportation cheaper, and Amtrak were the only way, the question becomes, "Are the social and environmental benefits associated with this route so strong as to offset its losses?"

You have to be very cognizant of the opportunity costs associated with providing such services. Subsidy provided to any mode of transportation comes out of someone else's pocket. It is not free. The question then arises whether it is fair, equitable, or efficient to have people from the rest of the country paying taxes to provide subsidized rail transportation service into certain areas.

Let me give you a hypothetical example with respect to whether in some cases, subsidized rail service to the degree that many routes are now subsidized makes sense. Suppose, for example, you took a typical route where the fare was \$20. As we know, at the moment the Government is subsidizing the typical \$20 service by another \$20 or

more. If you could ask passengers boarding the train whether they would choose some other mode of transportation for less than \$20 cash payment, and if they replied affirmatively, then everybody would be better off by providing subsidy in this different fashion. The passengers would be better off because they took the bribe, if you will, to choose some other mode of transportation. The taxpayer is better off because he or she is paying less in subsidy. If it makes sense that the passenger would be willing to choose something else, I think that it reveals that the present structure of Amtrak routes is inefficient. Even if you have an objective of providing some subsidy to transportation, Amtrak's does not appear to be the efficient way of going about it.

Mr. ROONEY. On page 2 of your statement, you criticize the proposed criteria for failing to establish a priority for ranking routes and services.

How do you believe the routes should be ranked, considering only their financial criteria or do you believe that the routes should be ranked by net avoidable deficit or deficit by revenue passenger mile?

Mr. MILLER. I would rank the routes according to their profitability. If not many are profitable you rate them in terms of route passenger miles and total losses and take very hard looks at those. Again, it would seem to me that there would have to be important environmental or social objectives and it would have to be very desirable to provide rail transportation, or to achieve those objectives through rail transportation when they can't be achieved in some other less costly way, before I would retain those rail services.

Mr. ROONEY. Have you come to a conclusion as to the maximum permissible loss per route, either by total avoidable cost or by loss per passenger-mile?

Mr. MILLER. Well, that is a number that I don't feel capable of identifying. There are lots of imponderables that go into making that kind of decision. I suspect that number is a lot lower with respect to the losses per passenger-mile and total losses per route than we observe with Amtrak today. In any event, I don't think the loss should be much higher than what we are paying for alternative modes of subsidized common carrier transportation.

Mr. ROONEY. Mr. Skubitz.

Mr. SKUBITZ. Mr. Miller, is your experience in the field of transportation?

Mr. MILLER. My dad is an airline pilot.

Mr. SKUBITZ. I am not asking about your father, but you.

Mr. MILLER. I have had no business experience in transportation.

Mr. SKUBITZ. Railroads or airlines or waterways or with trucks, is this correct?

Mr. MILLER. I have had no business experience. I spent 8 years of my professional career studying this area.

Mr. SKUBITZ. In school?

Mr. MILLER. After my formal education, for universities, for the Department of Transportation, for the Council of Economic Advisers, and for various private clients.

Mr. SKUBITZ. I notice that your testimony places profit first. In other words, if it does not show a profit, your advice is to get out of the business, is this correct?

Mr. MILLER. Well, that is certainly the first cut I would take at it. If I were choosing candidates for further consideration, that would be my prime criterion.

Mr. SKUBITZ. Are you speaking for the administration when you say that or is it your own personal view?

Mr. MILLER. It is my personal view.

Mr. SKUBITZ. Going back to the Post Office Department, if you were Postmaster General today, you would cut out about two-thirds of the post offices, because they are operating at a loss, is that correct?

Don't misunderstand. Two-thirds or three-fourths of the third- and fourth-class post offices are operating at a loss.

Mr. MILLER. Mr. Skubitz, I made a study of the Post Office system and I believe the Postal Service is capable of providing service at a "profit" in a number of places where it is losing money today.

Mr. SKUBITZ. Well, these moneysaving instances you talk about would call for the closing of those little rural post offices and the only alternative is a mobile post office going through town and delivering mail, unless you have some idea I don't know about?

Mr. MILLER. If you want my personal opinion, sir, I would say many of these should be closed, yes. There is no free lunch here, and to the extent a post office is experiencing a big loss, other people are paying for it.

Mr. SKUBITZ. Where do you get the idea there is no free lunch? Whose money are we spending, yours, the fellow downtown, or the taxpayers? Aren't we all taxpayers and all entitled to some sort of service?

Let me give you an example

In my district, the cities of Fort Scott, Pittsburg, Parsons, and Columbus, all cities of over 10,000, have no transportation system except a bus that comes through town at 3 o'clock in the morning. Passenger train service has been cut out completely.

The closest airline is 40 miles away. What alternative would you suggest for these 5 towns of 14,000 to 25,000 population in each town?

Mr. MILLER. With respect to who is paying for it, the answer is, you and I and every other taxpayer are paying for these subsidized Government services, and if the taxpayers were not paying for those services they would have that money to spend themselves. That is what I think has to be considered.

It is not as though there were just a lot of Government tax revenues to allocate; I think we need to realize that if we didn't provide such subsidies people could have more money in their pockets. I think that is an appropriate way to look at it.

Mr. SKUBITZ. In other words then, in our area of the country, if we cut all of these buslines out and all of these post offices out, we have more money in our pocket and we can hand-carry our letters, is that it? or we can all buy an automobile and drive down the highway, even though most of the older people that use the trains are up in their seventies?

Mr. MILLER. Well, I am not the one to determine whether the Postal Service or transportation into your district should be subsidized. It is for Congress, as elected representatives, to decide.

Mr. SKUBITZ. I wonder what kind of advice you are giving the President and the administration regarding what should or should not be done? That is what worries me.

Mr. MILLER. Well, I am saying two things.

First: If subsidized service or other benefits to a particular area are to be provided, we should make sure we do it at the lowest cost to the Government and thus the taxpayer. My judgment, based on looking at a lot of different kinds of Government services, is that in so many cases the cost could be a lot less than it is. In other words, you could get a lot more "bang for your buck" than you presently get.

Second: I would urge people to consider the opportunity costs and realize that providing service into one region or another—and I come from a very small town too—is not free. There is no free lunch, and there is a cost to some individuals. No, it is not up to me to make that decision. It is up to the elected representatives to make that decision.

Mr. SKUBITZ. Getting back to the point.

You are one of the fellows that advises the administration on what policies they should adopt, are you not?

Mr. MILLER. Yes.

Mr. SKUBITZ. This is why I am picking your brains, to find out what kind of advice you are giving to the administration.

Certainly, I want to see losses cut wherever we can cut them, but, by the same token, I am not ready to admit that because there is not a profit shown, this ought to be cut out. That might be good business, but I am not so sure it is good government.

I think we must draw a distinction there. I don't think that Amtrak, will operate at a profit.

I think we should keep the pressure on to cut down its losses. I think savings could be made in other areas just as well.

Am I right in assuming that the premise you fellows work on, being economists, is that any time the Federal Government spends any money it is inflationary in one way or another, is this correct?

Mr. MILLER. No, sir.

Mr. SKUBITZ. It is not?

Mr. MILLER. No.

Mr. SKUBITZ. What about money to Angola, would it be inflationary or not, in your view?

Mr. MILLER. Sorry, I didn't understand you.

Mr. SKUBITZ. Giving \$80 or \$200 million to Angola, would that be inflationary?

Mr. MILLER. I wouldn't want to express a view on that.

Mr. SKUBITZ. If you would, it would be embarrassing, I am sure.

Number two. Is cutting taxes putting more money in the pockets of the people at this particular moment while at the same time resorting to deficit spending inflationary or not?

Mr. MILLER. You have identified a very complicated issue on which, quite frankly, I do not feel sufficiently expert to provide a definitive answer.

Mr. SKUBITZ. Well sir, the matter of transportation is just as complicated.

Mr. MILLER. I agree.

Mr. SKUBITZ. That is all, Mr. Chairman.

Mr. ROONEY. You attacked Amtrak's expenditures as being inflationary and obviously you have studies to back it up.

Do you have any other corresponding studies with respect to the inflationary impact upon the waterways, upon the airports, the airways, or the highways?

Mr. MILLER. I have not made any detailed studies. I could report to you what others have said.

Mr. ROONEY. Why did you select Amtrak?

We spend billions of dollars on waterways and airports and airways and highway improvements. Why just select Amtrak and say it is inflationary?

Mr. MILLER. Let me mention two things. First, both airports and highways arguably are paid through user taxes, or user charges. It is certainly less clear in the case of waterways, but the evidence I have seen suggests waterways do not pay their way.

Second, with respect to Amtrak, I just happened to be interested in Amtrak several years ago and published some research on the issue when I was a university professor. At the Council on Wage and Stability the Board's criteria were published, and we took this opportunity to make a comment. I felt that what I had done and the views of others at the Council were worth passing along to the Congress.

Mr. SKUBITZ. Will you yield?

Mr. ROONEY. I will be happy to yield.

Mr. SKUBITZ. Can you give me the title of the thesis you wrote on Amtrak?

Mr. MILLER. I have submitted this study for the record.

Mr. SKUBITZ. You have.

Thank you.

Mr. ROONEY. Yes, Mr. Skubitz, here it is.

Mr. SKUBITZ. Thank you.

Mr. ROONEY. Amtrak stated yesterday that it has a mandate to have a national rail system and interprets this to mean there should be a connecting national system. It submitted a route system indicating the effect of the proposed budget cut for fiscal year 1977.

Now, you, as an authority on Amtrak, I wonder if you agree with this premise or do you think it should be acceptable to have a number of unconnected routes?

Mr. MILLER. I see no problem in having a number of unconnected routes without every point accessible to every other point.

Mr. ROONEY. So you agree that we can have several unconnected routes and in the long run it would be more profitable?

Mr. MILLER. Well, it could be. That would be my preliminary judgment based on the research I have done on Amtrak. There are probably many connecting long-distance routes that would go by the way-side if stronger economic criteria were established.

I think it is important that we expand our perspective here. We started off with a proposal which the proponents advertised as an experiment to see if rail passenger service could be provided by the private sector or a quasi private corporation and it was expected to be profitable. Yet every year the losses have mounted, and I think we have to stand back and say, "There are big problems here and, as the Commissioner from ICC was saying before, there is not an unlimited indulgence on the part of the American public to support rail passenger networks.

An economist happens to be a person who faces people with difficult choices; you can't have both bread and potatoes all the time. Sometimes you have to give up one for the other.

Mr. SKUBITZ. Will the gentleman yield?

Mr. ROONEY. I will be happy to yield.

Mr. SKUBITZ. Mr. Miller, I never, at any time, thought Amtrak was going to be an organization that would be run for profit or would make a profit.

I think the railroads themselves proved that. I think that we can cut down on losses. This is what I would like to zero in on.

I think it is in the public's interest to develop an efficient passenger service and even after we do, I think it is going to operate at a loss, because there are certain factors that Amtrak itself can't solve.

Amtrak has no right to fix its own roadbeds, for example. It has to deal with the railroads on that, and until they get the tracks fixed, we will have problems.

There are also problems that need to be worked out with respect to the operation of equipment. I think these are the things we ought to be zeroing in on, instead of saying, "Well, they operated at a loss last year and again this year—I think we ought to put them out of business and look for new means of transportation."

Personally, I don't think any means of transportation we have today could meet the mass transportation problem better than Amtrak. We can't lay slab fast enough today to take care of the passenger automobiles on the road.

If it had not been for increases in gas prices in this country, we would be so clogged up on our highways today I don't know how we would meet the problem.

Airlines? I went to Chicago the other night to go to Kansas City and we circled O'Hare airport for 46 minutes waiting to get in.

What is the answer? Building another airport 30 or 40 miles from Chicago? We soon get to the place where the airport is so far from town that a good, fast train gets there quicker than an airplane.

I think this is going to happen in the Northeast Corridor. I think trains will be able to go from Washington, D.C. to New York, from Union Station here, and into downtown New York much faster than a plane from National Airport into New York and then out of New York by cab into the city of New York.

I say that for one reason. You go out here and they say, or the pilot will say, "Ladies and gentlemen, make yourself comfortable. We are 15th in line to get out.

"So we make ourselves comfortable for 20 minutes and we get to New York and circle the airport for 30 or 40 minutes, and then wait for luggage and then have to drive to town. That time alone will eat up the difference between what a train will take from here to New York traveling at the rate of 130 miles an hour.

If it is true, if my premise is right, even though we are operating at a loss, dollarwise, that is, between here and New York, it is going to be, I would think, less of a loss than going out and building a new airport with all of the safety factors the Government has, using a subsidy payment and additional cost to the taxpayers using the airline.

This is what we have to decide. "Is passenger service necessary?" "Is it in the public interest?" If it is, we should not just look at the profit and loss. If it is operating at a loss, we must find where these losses can be cut?

That is the thing I am interested in at this moment. If I think that it can't be achieved, I will be one of the first to vote Amtrak out of business.

Mr. MILLER. Well, sir, I am not advocating that Amtrak go out of business, but I am urging that the choice of new routes and the decision to delete old routes be made after very rational, careful evaluation. But what we have to remember here is that even though a good argument could be made about the availability of Amtrak's service and how good it is, people are not using it in sufficient numbers to offset losses.

Mr. SKUBITZ. The service is not good. This is one of the problems today. If you read the article in Fortune magazine the other day, it indicated the rate of speed from Chicago to Florida is 40 miles an hour, but some of the track is so bad you can only go 15 miles an hour.

The service is not good. You go from Chicago to California—and I rode the train recently to find out about it—although you have good track most of the way there are areas in there where you have to cut down to 20 or 30 miles an hour.

If you could bring the rate of speed up it would help in getting more people to ride.

I don't think that people are opposed to riding the trains except in the areas of cost, and second, perhaps services.

But these can be solved. You don't solve them by saying: "They lost x dollars in 1970; they lost x dollars in 1971; therefore let's put them out of business."

Those are your figures and you are the one that talks about losses.

I would assume what you are saying is: "If you can show a profit let's keep those, but the others, let's write them off"?

Mr. MILLER. You should scrutinize them very, very carefully.

Mr. SKUBITZ. Well, we do that.

That is all, Mr. Chairman.

Mr. ROONEY. I just want to get back to my last question that you had already answered in talking about the disconnected route system. Perhaps I should address this question to your legal counsel, since the original act, as I understand it, states that it must be on a national intercity system.

Would it be legal to break it up?

Mr. WILLIAMS. Sir, I don't have an opinion on that. We have focused on the proposed criteria and not on other matters.

Mr. ROONEY. I would appreciate it very much if you would take a look at that opinion and supply it for the record.

Mr. WILLIAMS. Fine.

[The information requested was not available to the committee at the time of printing.]

Mr. ROONEY. I have one final comment to make. We were talking about Amtrak and singling out Amtrak as one that is costing the

American taxpayers millions of dollars and I think we spent \$300 million last year, is that correct?

Mr. MILLER. Something of that nature, yes.

Mr. ROONEY. How much have we spent in moneys with respect to air, water and highways?

Mr. MILLER. Well, over the years, since 1930, I think we spent something on the order of \$1 billion total for subsidizing air transportation, and the estimate of the subsidy to water transportation varies, depending on the analyst, but it is a lot of money. Estimates on construction of airports and highways also vary.

Mr. ROONEY. Well, it does vary but it was about \$11 billion last year and it does not take into consideration the cost of interest, about \$1.2 billion.

Mr. MILLER. But, sir, that is a trust fund figure, not a direct subsidy.

Mr. ROONEY. It is a trust fund, but there is no interest.

Mr. MILLER. Surely.

Mr. ROONEY. And it also does not include the control tower.

You gave some answers to this committee on the problem and you suggested maybe subsidizing automobiles, which I think is almost impossible.

How do you feel about subsidizing private bus carriers?

Mr. MILLER. Let me answer by first giving an example.

When I was at the Department of Transportation we looked at one city which was receiving high subsidies for local air service. There was very few passengers and the carriers were receiving high subsidies. It turned out that the Federal Government could have provided a limousine service on demand, a real limousine, at a much lower cost than providing that subsidized air service.

Discussion of a subsidized bus service opens a very broad area for possible Government and private industry relationships. However, provided that we could get around certain problems, I would not be troubled by the prospect, at least conceptionally. I am very troubled, though, by the idea of putting a private entrepreneur on subsidy. I think the incentives for being efficient are lowered automatically and the firm will become less efficient.

Finally, let me stress again that I am here testifying on the inflationary impacts of these criteria as I see them. I am not in a position to say what should or should not be done. I am advising you as to my judgment of the inflationary impacts, and it is your responsibility to make these decisions.

I would add, however, that if Congress wishes to provide subsidized transportation service to any point, it should try to do it at the lowest possible cost to the taxpayer. In some cases, this may mean subsidized bus transportation, and I would not be disturbed by that.

Mr. ROONEY. Thank you very much.

Do you have any further questions?

Mr. SKUBITZ. I would like to make one observation.

We have come over here to listen to the testimony of these witnesses on a very important problem. There is a very important piece of legislation on the floor that affects both of us. I look around this room and I see representatives of the railroads and I see representa-

tives of the airlines and bus companies and I see representatives of the brotherhood, all of them vitally interested in this legislation, but I don't see a single soul here from Amtrak.

Here is a witness testifying about the inflationary impact of the Amtrak program. I think it is a shame that this organization, with over 5 or 10 "leg" men around the Hill, can't find time to send somebody down to listen to the testimony so that we can ask them questions later on.

If you or I called Amtrak 1 hour from now and said, "Mr. Miller testified down here today and said this, what have you to say," they would say, "Well, we have to read his testimony first."

Mr. ROONEY. Well, I must say, in all fairness to Amtrak, I did see some of their representatives here earlier. You certainly know your Government employees very well.

Thank you very much.

You were very candid and we appreciate very much your testimony.

The committee will stand adjourned until 10 a.m., Friday.

The hearing tomorrow has been canceled because the railroad bill is going to be signed, so we will meet on Friday, at 10 a.m., in Rayburn at 2237.

[Whereupon, at 4:10 p.m., the committee adjourned, to reconvene at 10 a.m., Friday, February 6, 1976.]

AMTRAK DISCONTINUANCE CRITERIA

FRIDAY, FEBRUARY 6, 1976

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice in room 2237, Rayburn House Office Building, Hon. Fred B. Rooney (chairman) presiding.

Mr. ROONEY. The subcommittee will come to order.

Today the subcommittee begins the final day of hearings on the criteria and procedures for making route and service decisions submitted to the Congress by Amtrak. Unless the testimony received at this hearing indicates that Congress should disapprove the criteria, they will be used to determine whether individual routes and services in all parts of the Nation will be discontinued or initiated.

Thus far the subcommittee has heard from Amtrak an explanation of the criteria and how they relate to the Corporation's overall operation. We have heard statements of support from the Department of Transportation and qualified approval from the Interstate Commerce Commission. The Council on Wage and Price Stability has stated its opposition to the criteria.

Today we will hear from the private sector, the motor carriers, and airlines who must compete with the Government-subsidized operation of Amtrak. We will also hear from the consumers of rail service represented by the National Association of Railroad Passengers, and from the United Transportation Union which represents a large number of Amtrak employees.

Before hearing from these interested groups, we will hear testimony from two of our colleagues in the House, Congressman Sisk and Congressman Krebs of California.

I would like to call our first witness, the Honorable B. F. Sisk.

Before you proceed, I would like to take this opportunity to thank the witness, Congressman Sisk, for all of the help you have given me on the Rules Committee. You are most helpful and without your help the railroad bill that was signed into law yesterday perhaps would not have been signed.

STATEMENT OF HON. B. F. SISK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. SISK. Thank you very much, Mr. Chairman. It has been a pleasure to work with my good friend and colleague from Pennsylvania because I think we have some mutual concerns and mutual

interests, particularly in connection with the future of the railroad industry in this country, and I want to commend him on the great job he has done. I give him credit for having gotten that bill through and let's hope we are on the way in the right direction.

Mr. Chairman, I, of course, appreciate the opportunity to appear here this morning. Normally, what I do in cases of this kind is simply put my remarks in the record so as to save valuable time of the committee, but, Mr. Chairman, I would like to expand on this a little, because we are faced with very grave decisions.

The Subcommittee on Transportation and Commerce has worked diligently for a number of years to restore a viable passenger train system in this Nation. The excellent work and care which the subcommittee has taken is in large part responsible for the overwhelming support in the Congress for the National Railroad Passenger Corporation. I do not believe I take liberty with the facts, however, when I say the subcommittee's previous efforts are in jeopardy of being circumvented.

These hearings are being held, of course, to discuss Amtrak's proposed criteria for making route and service decisions. I firmly maintain, however, that the criteria are made useless unless we also discuss the administration's budget request for Amtrak for the coming fiscal year. To suggest that the two are not linked, is a failure of understanding of high significance, it seems to me.

I appear before you today for two reasons: (1) I wish to save the Amtrak service in my district, and we all become parochial when we come to such matters; and (2) and more importantly, I believe it is essential to realize that the congressional mandate in Public Law 94-25 cannot possibly function properly if the administration's budget recommendation is permitted to stand.

I fully understand that your subcommittee does not make appropriations. But I feel we cannot logically discuss the proposed criteria without also discussing dollars and cents and the congressional intent—or what I believe has been the intent—toward restoration of passenger service in this country.

It is equally important to remember that this subcommittee and, subsequently, the full Congress recognized that passenger train service is "a necessary part of a balanced transportation system." That finding, and others, led to enactment of the Rail Passenger Service Act in 1970.

Since that initial legislation almost 6 years ago, the Congress has enacted other bills to strengthen Amtrak and provide it with the means to operate an efficient national passenger train system.

One of the most important pieces of legislation enacted, of course, was Public Law 94-25, which requires Amtrak to develop criteria for making route and service decisions. The Congress did not tell the Department of Transportation or the Office of Management and Budget to develop the criteria—although they presumably commented upon them. The Congress mandated that Amtrak would develop the criteria.

More importantly, Public Law 94-25 gives the Congress veto power over the proposed criteria. By maintaining ultimate congressional jurisdiction over this issue, the Congress sent a clear warning

to Amtrak and the White House, I think, that we want and expect passenger train service to continue to be a significant link in the country's transportation system.

I think all of us can agree that there is a need for the criteria. We must have a reasonable and systematic approach to deciding when services will be added or eliminated. Amtrak cannot be expected to operate indefinitely under political pressures generated by local interests.

At some point there must be a bottom line. Either a given route is good or bad. But how are we to make those decisions? Are we only to look at the dollars and cents, as the administration would probably prefer? Or are we to take into consideration other factors, many of which are subjective?

It is clear, I think, that the criteria cannot reasonably be based simply upon economics. If we are to choose that as the sole or primary basis for making route decisions, we would end up with no passenger train service because Amtrak reports that all of its 35 revenue routes have deficits.

Clearly, then, the criteria must be based in large part on such considerations as the savings to our environment by operating passenger train service, the savings in fuel consumption—which no longer is an academic matter—and whether, in fact, the Congress believes it is in the best interests of this Nation to offer an alternative mode of transportation.

I am pleased that Amtrak's proposed criteria acknowledges the fact that those more subjective aspects are determined to be significant as it reviews its present and planned services.

The Congress now must decide if it was serious when it said 6 years ago that there exists a need for a balanced transportation system and that passenger train service must be a part of that system.

If the Congress has second thoughts, let's say so. Let's be honest with ourselves and the public by saying that Amtrak has grown too large and costly and that we support the elimination of some routes.

On the other hand, if the findings we made in 1970 remain valid today, then we must continue to support Amtrak both politically and monetarily.

I wonder, however, how these hearings on the proposed criteria can be held while we are faced with an administration budget proposal which clearly will circumvent the entire basis for the criteria.

The National Railroad Passenger Corporation reports that if the administration's budget recommendation of \$380 million for Amtrak in fiscal year 1977 is allowed to stand that it will mean the elimination of 19 of its 35 revenue routes. That represents a loss of 48 percent of Amtrak's 24,965 miles of track nationally.

I suggest, Mr. Chairman, that if this subcommittee fails to address the budget question in whatever way it properly may do so, that further hearings on the proposed criteria need not be held because the administration will have decided by fiat which passenger train service routes will operate and which ones will cease.

There has been considerable discussion over the fact that the Congress established Amtrak with the mandate that it be profitmaking. Obviously, Amtrak has not been financially profitable.

Is it really the position of the Congress that the National Railroad Passenger Corporation must earn an annual profit? Or is our position a more realistic one that Amtrak shall operate as effectively and efficiently as possible with a goal of breaking even or making money?

Is it the position of the Congress that passenger train service is to be supported only after we check the financial ledgers? Or is our position that there is an overriding national need for Amtrak—a need which will require our economic backing in order to serve the public?

It occurs to me, Mr. Chairman, perhaps what is needed is not a discussion on the proposed criteria but one on what the Congress' position is toward passenger train service. We are in need of a firm policy and it serves no useful purpose to face an annual battle with the administration or among ourselves over Amtrak. Either we support a national—I repeat, national—passenger train system or we do not. If we do, then let's not undercut Amtrak just as it is beginning to make some improvements in service and when even more improvements are scheduled.

I mentioned earlier, Mr. Chairman, that one reason I appear before you today is because Amtrak service in my district in California would be eliminated based upon the administration's budget request; not based upon Amtrak's proposed criteria.

I believe it appropriate to talk in specifics about that route, which extends from Oakland, Calif., to Bakersfield, a distance of about 315 miles. The service, which includes two trains daily, was started in March 1974.

That route, like the others in the Amtrak system, has been a money loser. Accordingly to Amtrak officials, the San Joachin's gross deficit in fiscal year 1975 was \$3.5 million. That represents a ranking of 22 out of Amtrak's 35 revenue routes.

It must be remembered, of course, that the deficit includes the allocated costs for the whole national system, and supplemental overhead for other trains and feeding of other train routes. In other words, the gross deficit is an inflated figure.

Furthermore, I believe this subcommittee has been given information which shows Amtrak estimates the net avoidable deficit per revenue passenger mile to be 23.7 cents for the San Joaquin in fiscal year 1977.

Those estimates, however, were made prior to the end of the last calendar year, at which time significant developments began to occur on the Oakland to Bakersfield line.

I must admit, Mr. Chairman, that I was deeply concerned about the route at times last year. In April 1975 ridership dropped 69 percent from the corresponding month in 1974. And in March, only a month earlier, ridership had dropped 51 percent from March 1974.

To some degree, of course, those sharp declines could be attributed to three factors: First, ridership was abnormally high when service first began and there was public curiosity with the restoration of passenger train service. Second, ridership was unusually high in California—as it was nationally, too—because of the energy scare. As the latter eased, so did Amtrak ridership. Finally, ridership dropped in my State, in my opinion, because of some difficulties with service. Services in some cases were started, then terminated, schedules were

changed, a connecting chartered bus system was canceled before Amtrak had entered into an agreement to provide alternative service. None of those events added to public confidence in the system, frankly.

My good friend and colleague, Congressman John J. McFall, and I had several meetings with Amtrak officials to resolve the difficulties. Although we found Amtrak officials slow to move on some matters, they have acted in good faith to provide a sound passenger train service in the State.

For example, Amtrak has revised the schedules to provide a relatively quick connection time with a new bus service. It has just started an advertising campaign and it has implemented new reduced excursion fares.

What have the results been? I am pleased to say that in October there was an 8 percent increase in ridership from the corresponding time in 1974. That was followed in November by a 6 percent increase. And in December, ridership increased another 7 percent.

The point which clearly is made is that with just a little effort—nothing drastic—we have turned the ridership around in California. Amtrak officials now believe there is a bright future for passenger train service from Oakland to Bakersfield.

We are talking about turning a bad situation around in 2 years time—actually less when one considers Amtrak did not begin actively working on this matter until last September.

Finally, in conclusion, Mr. Chairman, I am concerned, then, with those who simply look at the financial ledger to determine the success or failure of a given route. We can make Amtrak work, but it will not occur overnight. I hardly think that 5 to 6 years is adequate time on which to judge Amtrak nationally considering the fact that passenger train service in this country was dead in 1970, and that Amtrak is still using facilities which are old and in many cases in need of replacement.

I support the development of criteria for route and service decisions. If at some point the criteria means that the service in my State will be curtailed or terminated, then so be it. But are we not going to give the criteria a chance to work?

I ask this subcommittee to support Amtrak's proposed criteria. But I also ask the subcommittee to speak out on the issue of the budget, because it seems to me, Mr. Chairman, the two cannot be separated.

Mr. Chairman, I at this time want to particularly express appreciation to my colleague from whom you will be hearing briefly, Mr. Krebs, who, of course, came to Congress last year, and who also has indicated an interest in this matter. Of course, sharing part of the same area that is served by Amtrak, I appreciate his support.

Mr. Chairman, again as I say I appreciate very much your giving me this time, but it is a subject upon which I feel strongly, and, as the gentleman knows, I have been much interested in over the years.

Mr. ROONEY. Thank you very much, Mr. Sisk, for that very fine statement.

The problem with the budget question is the fact that Amtrak is coming back to Congress next month for another supplemental budget. How often can Congress approve these budgets, say, in an

area such as the San Francisco-Bakersfield run, which costs \$21½ million annually and your ridership is just unbelievably low?

I commend you for trying to save this service, but I suggest you go back and talk to your local people and tell them they are about to lose a great thing.

I wish we had service between the Lehigh Valley and the City of New York, because I am sure that hundreds of people would be going there every day and getting on the trains.

You have it, and if it does not improve, Congressman Sisk, I am afraid because of the huge deficit, it will have to be eliminated.

Mr. SISK. If I can comment, Mr. Chairman, I made the same statement to chambers of commerce, mayors of all the cities in the valley, and the public—and so did Mr. McFall—when we made the plea for Amtrak to include the San Joaquin as part of its national system. As you know, the service was not included initially in the Amtrak system.

Representative McFall and I both told officials and the public that it was up to them; either they use the service or there was no way we could maintain Amtrak in the San Joaquin Valley.

That didn't mean it would have to be a profitable operation, but would have to at least meet the general criteria, or standards, by which other routes will be judged.

I still maintain that position. We have had some ups and downs, but we feel we have possibly turned the corner and ridership is starting to improve. The figures for the last three months certainly seem to indicate that, so I don't believe the Congress or the administration should be too quick to write the San Joaquin off.

I agree the picture is not good, financially, Mr. Chairman.

Mr. ROONEY. Thank you very much, Mr. Sisk.

Mr. SISK. Thank you.

Mr. ROONEY. Our next witness will be our distinguished colleague from the great State of California, Mr. John Krebs.

Welcome to the Committee, Mr. Krebs.

STATEMENT OF HON. JOHN KREBS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. KREBS. Thank you, Mr. Chairman. I certainly appreciate the opportunity to appear before your committee this morning.

Following my colleague, Congressman Sisk, is always a difficult act to follow, and I certainly admired what he has tried to do for the servicing of San Joaquin Valley, which I am privileged to represent.

I represent the 17th Congressional District, lying immediately to the south of Congressman Sisk's district.

I know, Mr. Chairman, that your time is rather short. I see many witnesses in the audience. Looking over my statement and listening to my colleague, Congressman Sisk, there is relatively little that I can probably add here, so if I am permitted, then, to submit my statement for the record [see p. 115], I can possibly save the committee some time.

If I may just adlib for a couple of minutes and comment on the observations you made in response to the loss of money incurred by Amtrak in connection with the service that we are particularly concerned with.

You may have detected from my accent that I barely missed the Mayflower. I therefore possibly am somewhat prejudiced in favor of passengers service because I was born in Germany and I have traveled relatively extensively in Europe and frankly I remember quite distinctly when I was stationed over there with the Army in 1952 we used to ride third class from the central part of Germany to Switzerland on a long weekend and I hope I won't step on anybody's toes when I say that the service at that time, the type of train that would take you from the central part of Germany to Switzerland or Italy, or Holland, compare favorably with the Metroliner that is run between Washington and New York, let alone the type of train that we have in San Joaquin Valley, which is a refurbished, but rather old type of train.

The point I want to really make in response to your statement, which is certainly a valid one and I certainly understand your concern and it is a concern all of us share, nevertheless, if this country is ever going to develop the type of passenger service that I happen to feel we should have in this country, then we have to make it attractive to the American people.

Without making excuses, as Congressman Sisk already articulated, the passenger service has picked up in the last few months of last year and I think, with improvement in the service, with maybe a better schedule, with maybe better physical equipment than we have at the present time, with more publicity, I think we can further improve the service, and I think, needless to say, with improved service we will get improved ridership.

Having said that, let me also say, and I will close on this, that in this day and age we are inclined to get people out of automobiles and for this Nation really to feel that we can expect the railroad system, particularly the passenger service, to be a self-supporting or let alone a profitmaking enterprise in this transition period, which I hope will be a transition period, between a relatively low ridership and what hopefully is going to end up in a much higher ridership with improved service, for us to assume that we can have decent ridership with decent transportation, I think, is really illusory.

Certainly, Mr. Chairman, I want to assure you when this matter comes before the full House that I will lend my support to those who will see to it that passenger service in this country is going to improve rather than being curtailed on the basis of a very short, in my opinion, short-term improvement in our overall fiscal standing.

Mr. Chairman, I appreciated the opportunity to appear before you today and if you feel there are any questions I might be able to answer, I will be glad to do so.

Mr. ROONEY. Thank you very much. Your statement will become part of the record.

[Congressman Krebs' prepared statement follows:]

STATEMENT OF HON. JOHN KREBS, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

Mr. Chairman and Members of the Subcommittee, I greatly appreciate this opportunity to appear before you and to register my full support of the concept of a national railroad passenger system.

It is my understanding that these hearings are directed in particular toward the criteria and procedures for making route and service decisions by

the National Railroad Passenger Corporation in compliance with Public Law 94-25. My comments and concerns are directed not only to the criteria and procedures in general, but to the San Francisco-Bakersfield route in particular, since this route serves California's Seventeenth Congressional District, which I am privileged to represent.

Service was initiated on the San Francisco-Bakersfield route in March 1974. The following schedule illustrates ridership and percentage change in ridership for the months of March through December, 1974 and 1975.

Month	1974	1975	Percentage change
March.....	9,013	5,528	-51
April.....	14,355	4,451	-69
May.....	9,246	6,795	-27
June.....	8,697	5,519	-37
July.....	7,877	6,273	-20
August.....	8,488	6,758	-20
September.....	4,927	3,827	-22
October.....	4,243	4,596	+8
November.....	5,079	5,408	+6
December.....	6,007	6,447	+7

While ridership on the San Francisco-Bakersfield route was increasing by 8, 6, and 7 per cent, respectively, during October, November, and December of 1975, ridership nationally was increasing, comparatively, by only 1, 2, and 5 percent. Thus, strengthening of the ridership trend is obvious. But what is not so obvious are some very basic and indeed logical reasons for the relatively high ridership experienced during the first half of 1974. These reasons, in turn, explain the relatively large percentage decline in ridership experienced during the first half of 1975.

It is generally agreed that initial ridership was abnormally high as a result of the public's curiosity with restoration of passenger train service in the San Joaquin Valley. Second, the nation felt the initial impact of the energy crisis, which caused many individuals to utilize passenger train service in an effort to conserve our national energy supplies.

The increase in ridership experienced during the last quarter of 1975 appears to have resulted from a positive marketing effort instituted by Amtrak officials. Not only was an advertising campaign initiated during the Fall of 1975, but also certain rate reductions, in the form of excursion fares, were implemented.

It seems clear, then, that ridership on the San Francisco-Bakersfield route has indeed stabilized and that prospects are good for growth in ridership to occur, particularly when one considers the increasing public awareness of our need to conserve energy and to utilize economical mass transit systems as viable alternatives to the automobile.

It is my understanding, however, that the National Railroad Passenger Corporation has targeted the San Francisco-Bakersfield route, along with eighteen other routes, for discontinuance in response to the Administration's proposed operating assistance level of \$378 million and capital development grant level of \$105.7 million for Fiscal Year 1977.

While some may find the Administration's proposals disturbing, it is essential to recognize that federal spending must be kept within reasonable limits. Certainly a different set of national priorities than that suggested by the Administration would provide a means by which the proposed funding levels for Amtrak could be increased at the expense of some other areas of the federal budget. Such an approach is indeed straightforward and would even allow for federal expenditures to remain below a prescribed ceiling.

But it seems that arguments such as these ignore an extremely basic issue—one that extends to the very substance of the Congressional mandate which established the National Railroad Passenger Corporation. Very simply put, the issue involves the definition of routes which serve the best interests of the public in developing and maintaining a viable national railroad passenger system.

The suggestion by Amtrak that nineteen routes, including the San Francisco-Bakersfield route, be discontinued is little more than an arbitrary and

capricious response to the Administration's proposed budget limitations. It seems clearly inappropriate to employ the budget process as a means of effecting major policy decisions which substantially affect the nation's railroad passenger system. The effects of route modifications demand that Amtrak grant any such proposals for change considerably more analysis and discussion than the obvious cursory thought which preceded the proposal to discontinue the San Francisco-Bakersfield route.

But it is not enough to suggest simply that reasonable criteria which fairly evaluate the financial, social, and environmental variables that effect the definition of routes be employed. It is essential that any such criteria be applied so as to produce decisions which are in the public's best interests—particularly the riders' best interests. Such an approach would clearly recognize today's need for an effective and efficient railroad passenger system—one that accommodates consumers with proper scheduling, modern equipment, incentive fares and an overall level of service which would serve to encourage ridership. While it is unrealistic to think that these objectives can be achieved quickly, it is similarly unrealistic to conclude that they can be achieved through the process which led to the route reductions currently proposed.

I submit that a comprehensive review of the national route structure is in order, for I believe that the fair and equitable application of criteria designed to measure the economic, social, and environmental impact or route modifications upon all segments of the national railroad passenger system would lead to the conclusion that the San Francisco-Bakersfield route should be retained as being in the best interests of the public.

Mr. ROONEY. I didn't have an opportunity to read it before the hearing this morning, but I certainly will.

I was very interested, however, on the first page of your statement indicating that the percentage of change of ridership has improved. I think I would admonish you to do the same thing I told Congressman Sisk and that is get your people to understand you are about to lose a very valuable service.

I was wondering whether or not, Congressman Krebs, you think we should give up the illusion of making Amtrak a for-profit corporation and nationalize it?

Mr. KREBS. I would say, Mr. Chairman, I know that nationalization of railroads has some overtones to it which are probably a most politically desirable stand to take and I think that the ConRail approach, I think, represents a reasonable compromise between those who feel that we should continue subsidizing railroads without really having the type of control I think we are entitled to have since we are using the taxpayer's money and those who would nationalize the railroads tomorrow.

I certainly would want to see the ConRail approach given a reasonable period of time to prove or disprove itself, but as a last resort, if we have to nationalize the railroads, I certainly would support it rather than leave the country with no other means of transportation except the private automobile and the buses.

Let me just make one more point. Being in the California delegation, we were presented with a presentation by the University of California team of experts who had worked on the energy requirement of supplies for the State of California, and without going into detail, let me tell you it was a very, very depressing type of presentation and certainly a cutting out of railroad service and expecting people to fend for themselves, which would mean either through the automobile or walking, I think it is a very short-sighted approach.

I think our Government, and you, of course, as part of it, have a responsibility to meet the needs for the energy age.

Mr. ROONEY. You mentioned in your earlier remarks about traveling from Germany to Holland to Italy and how great the trains were back in 1952. I think that is still true today in Germany.

But you must realize those trains are owned by the German Government and I would, or I feel as you do, I certainly would not want to see passenger service or train service in this country nationalized.

I commend you for your statement. We had a foreign expert before our committee telling us that the condition of the railroads in Europe is partially due to the Marshall plan. This is something that we failed to do in this country, take care of our own tracks.

I appreciate very much your being here today, Mr. Krebs, and I certainly hope that the passenger percentage will continue to improve as it has in the past 3 months.

Mr. KREBS. Thank you, Mr. Chairman. I appreciate it.

Mr. ROONEY. Our next witnesses will be a panel of the National Association of Motor Bus Owners, Mr. Charles A. Webb, Mr. William Himburg, Mr. Fred Currey, Mr. John Adkins, Mr. James Reinke, vice president of Eastern Airlines.

I have not taken the Greyhound or Continental Trailways or Indian Trailways to Bethlehem, but I want to compliment Eastern Airlines for the fine service you give in serving Allentown, Pennsylvania, Bethlehem, and so on. The only problem is, I wish you would put another couple of planes on.

You may proceed.

STATEMENT OF CHARLES A. WEBB, PRESIDENT, NATIONAL ASSOCIATION OF MOTOR BUS OWNERS; FRED CURREY, PRESIDENT, CONTINENTAL TRAILWAYS, INC.; WILLIAM P. HIMBURG, PRESIDENT, INDIAN TRAILS, INC.; JOHN E. ADKINS, EXECUTIVE VICE PRESIDENT, GREYHOUND LINES, INC.; AND JAMES E. REINKE, VICE PRESIDENT, EASTERN AIRLINES, INC.

Mr. WEBB. Mr. Chairman, with your permission, I would submit my statement for the record and summarize it briefly.

Mr. ROONEY. Without objection, it will be inserted in the record [see p. 120].

Mr. WEBB. My statement points out that we believe the criteria proposed by Amtrak are too vague and too indefinite. We do hope that the committee may find a way to persuade Amtrak to make its intentions more clear, but we do not recommend that the criteria proposed be disproved. To that extent, we agree with Amtrak and with the Department of Transportation.

We have explained in our statement our proposal for a simple revenue standard which is that beginning in fiscal year 1977, the Federal Government shall not pay more for the cost of operating Amtrak trains than Amtrak passengers do. We would apply that test, not any particular route, but would make it a systemwide test.

That is a very brief summary of our statement and our position.

I would like to cover a few points mentioned by witnesses in two previous days of hearings.

First: On the question of subsidy, I would like to simply read a brief paragraph from the statement of National Transportation

Policy by the Secretary of Transportation, which is dated September 17, 1975.

It says:

Privately owned inter-city bus companies receive no direct payment of public funds and do make a partial, if not complete, payment to government at all levels for their use of the streets, roads and highways through fuel and license taxes. They receive a benefit in that they do not have to make an initial capital outlay for their right-of-way. They must compete, however, with subsidized Amtrak and local service air lines.

That is the end of the quotation. The question of subsidies is to some extent irrelevant anyway. We see nothing inherently evil in transportation subsidies.

We don't believe that Amtrak's service in the Northeast corridor should be discontinued or curtailed, despite the losses that are being incurred. We recognize that service furthers the public convenience and necessity and we certainly do not object to efforts to improve that service.

Mr. Lewis, for the Interstate Commerce Commission, stated that one reason for retaining rail passenger train service might be the fact that railroad passenger trains had a far better safety record than the intercity bus companies. That is not correct.

I would like to submit for the record a table, based largely on "Accident Facts," published by the National Safety Council.

The table shows, beginning in 1956 up to the present time there is very little to choose as between the safety records of intercity buses and railroads and airlines. For the last 3 years, for example, and I will simply read the passenger fatalities per 100 million passenger-miles. The airlines had slightly the better record, which is 0.11. Intercity buses came next, at 0.13 and the railroads were 0.21, all relatively equal in choosing among the 3 modes.

I would like that table offered for the record.

Mr. ROONEY. Without objection [see p. 122].

It will be interesting to compare it with the ones I asked the railroads to submit.

Mr. WEBB. These include all railroads, the commuter as well as intercity. Amtrak reports its own figures to ICC and I am sure you will find them comparable with the figures which are reported by the intercity bus companies and by the airlines.

Now, the final matter that I would like to mention, Mr. Chairman, are the statements which have recurred throughout these hearings that Amtrak should be continued for the reason that it is the most energy-efficient mode, or for the reason that it creates less pollution than the other modes of transportation. This is not correct.

I would like to offer to the staff of the committee, but not for inclusion in the record, of course, this very bulky volume which was prepared by the Boeing Co. It is a comparative study of the energy consumption as between all of the passenger modes, the intercity buses, the intercity railroads including Amtrak, the automobile, and the airlines.

It finds, without any question, that intercity bus transportation is the most energy-efficient mode.

This article I have here, which is based on the Boeing study, is entitled "Common Starting Point for Intercity Passenger Trans-

portation Planning." It was written by Gerardus J. Schott and Luin L. Leisher, who are in the research department for the Boeing Commercial Airline Co.

With respect to emissions, this article which I also offer for the record, says:

Our emission comparisons (CO, HC, and NOx) show trains having consistently higher emissions per passenger than the other modes—the only exception being the CO and HC emissions on the New York-Washington run, which reflects the characteristics of electrical generating plants.

I would like to offer this article for your record, Mr. Chairman.

Mr. ROONEY. Without objection [see p. 123].

Mr. WEBB. I would like to suggest, in conclusion, that the Boeing study be submitted to the Department of Transportation or to some independent body of experts to see if their findings are supported by their data. We think they are.

Mr. Currey has some graphs which indicate visually the greater energy efficiency and the pollution comparisons and I believe that he is next on your list to proceed.

Thank you.

[Mr. Webb's prepared statement and attachments follow:]

STATEMENT OF CHARLES A. WEBB, PRESIDENT, NATIONAL ASSOCIATION
OF MOTOR BUS OWNERS

Mr. Chairman and Members of the Subcommittee:

My name is Charles A. Webb and I am President of the National Association of Motor Bus Owners (NAMBO). I appreciate this opportunity to explain NAMBO's position on the criteria proposed by Amtrak for the addition and discontinuance of passenger train routes and services.

NAMBO is the national trade association for the intercity bus industry. Our members have an obvious interest in standards for the discontinuance of service by a heavily subsidized competitor.

We believe the Congress acted wisely in granting Amtrak authority to discontinue routes and services pursuant to criteria acceptable to the Congress. In section 404(b)(3) of the Rail Passenger Service Act of 1970 (the "Act"), Amtrak was authorized to discontinue trains "in the basic system" which are "not required by the public convenience and necessity" under the procedures of section 13a of the Interstate Commerce Act but the effective date of that authorization has been extended by successive Congresses to October 1, 1976. Section 404(h)(3) of the Act never became operative because the Congress realized section 13a was not a satisfactory mechanism for determining whether particular Amtrak trains should be discontinued.

Section 13a was added to the Interstate Commerce Act by the Transportation Act of 1958 to enable railroads organized for profit to discontinue passenger trains which incurred heavy losses to the detriment of railroad freight service and which served no essential need. The section 13a procedure was made available to Amtrak because, as indicated by section 301 of the Act, Amtrak was intended to be a "for profit corporation." In view of Amtraks soaring losses and its apparent lack of concern about the magnitude of those losses, section 13a is not an appropriate method for the elimination of hopelessly uneconomic service. A further reason for superseding the section 13a procedure is that the Interstate Commerce Commission has no presumed expertise in determining the extent to which non-essential trains should be supported by taxpayers.

We also believe the Congress acted wisely when it decided in the Amtrak Improvement Act of 1975 not to vest in Amtrak unfettered discretion to add or discontinue routes and services. In addition to reserving the right to pass judgment on the discontinuance criteria proposed by Amtrak, the Congress listed some of the relevant criteria in section 404(c)(1) of the Act, including a requirement in subparagraph (F) thereof that Amtrak establish—

"... a priority ranking system for routes and trains to meet the needs of

the public convenience and necessity for a balanced transportation system . . . "

In its report, The Criteria and Procedures for Making Route and Service Decisions, submitted to the Congress on October 29, 1975, Amtrak has not proposed a "priority ranking system" as required by section 404(c)(1)(F) of the Act, nor has it proposed other meaningful and definite criteria. In fact, it is impossible to apply Amtrak's so-called criteria to its present route structure or derive even a hazy idea about which trains are prime or possible candidates for discontinuance. What Amtrak has done is simply to list as criteria all the factors it would consider in deciding whether to add or discontinue routes and services without any indication of the relative weight to be given to those factors. The end result is a hodgepodge of all the kinds of evidence—major, minor, minuscule, direct, tangential, primary and secondary—which might be admissible in a hearing before an Administrative Law Judge under section 13a of the Interstate Commerce Act. Amtrak should not be criticized for promising to consider all data having even a remote bearing on a decision to add or discontinue routes and services, but in the Amtrak Improvement Act of 1975 the Congress asked for more.

For example, on page 2-5 of its October 29, 1975, report to the Congress, Amtrak selected "Change in Energy Consumed" and "Change in Pollutants Generated" as two environmental criteria "to guide its decision making on routes and services." It is hard to see how such data could be a significant factor in Amtrak's decision making. Buses are clearly more energy-efficient than intercity passenger trains and, on the basis of average load factors, trains over some of Amtrak's routes (*e.g.*, New York-Chicago) are about equal with automobiles in terms of energy efficiency. Schott and Leisher, Common Starting Point for Intercity Passenger Transportation Planning, Astronautics and Aeronautics, July-August 1975, pp. 43-4. On pages 44-48 of that article, which I offer for inclusion in the record of these hearings, the authors report the findings of an emission study covering five major city pairs served by Amtrak. With the exception of the New York-Washington service, which reflects the characteristics of electrical generating plants, trains were found to emit into pollution-sensitive areas on a per passenger basis more pounds of CO, HC, and NOx than any other mode, including autos.

Among the "social criteria" proposed by Amtrak are "Population Served" and "Impact on Personal Safety." The former criterion is insignificant because the number of persons actually using available Amtrak service is many times more important; the latter is insignificant because the safety record of alternative common carrier modes is comparable.

The fundamental deficiency in the criteria proposed by Amtrak is that no relative weight is accorded to the five economic criteria, the three social criteria, and the three environmental criteria and, as a consequence, it is impossible to develop from such criteria, as the Congress required in section 404(c)(1)(F) of the Act, "a priority ranking system for routes and trains to meet the needs of the public convenience and necessity" What is required for the establishment of such a "priority ranking system" is a revenue standard applicable either to the entire Amtrak system or to particular routes.

If there is no way, however, in which Amtrak can be required or persuaded to make its criteria for route and service decisions more definite, we hope the Congress will permit the so-called criteria proposed by Amtrak on October 29, 1975, to become effective. It is better for Amtrak to have unlimited discretion, within budgetary constraints, in making route and service decisions than it is to continue to freeze the Amtrak route structure or to have route and service decisions made on the basis of purely political considerations.

NAMBO offers for the Subcommittee's consideration a very simple revenue standard, *viz.*, beginning in fiscal year 1977 the Federal government shall not pay more for the cost of operating Amtrak trains than Amtrak's passengers pay. We suggest a five percent reduction in the maximum percentage contribution of the Federal government for each of the five fiscal years following fiscal 1977 so that in fiscal 1982 the Federal government would be contributing not more than 25 percent of the fully allocated costs of operating Amtrak trains.

The Subcommittee may not agree with the figures in the revenue standard we recommend. We submit some revenue test is required, however, to halt the rapid escalation in Amtrak spending; to provide Amtrak with an incentive to discontinue clearly non-essential service and to maximize revenues from

the more promising remainder; and to protect the privately-owned intercity bus industry from the subsidized competition of Amtrak.

In conclusion, we do not believe it is either reactionary or revolutionary to require passengers who prefer one mode of travel over others readily available to pay at least one-half of the cost of their transportation.

Thank you.

ACCIDENT DEATH RATES IN PASSENGER TRANSPORTATION¹—PASSENGER FATALITIES PER 100 MILLION PASSENGER MILES²

	Domestic operations (3-yr average rates)			
	Intercity buses	Automobiles	Railroads	Airlines
1956-58	0.09	2.5	0.18	0.38
1957-59 .....	.12	2.4	.13	.43
1958-60 .....	.10	2.3	.16	.73
1959-61 .....	.09	2.2	.10	.69
1960-62 .....	.08	2.2	.13	.57
1961-63 .....	.14	2.2	.10	.27
1962-64 .....	.14	2.3	.09	.16
1963-65 .....	.18	2.4	.06	.23
1964-66 .....	.13	2.4	.09	.20
1965-67 .....	.14	2.4	.10	.25
1966-68 .....	.11	2.4	.12	.24
1967-69 .....	.11	2.4	.09	.23
1968-70 .....	.08	2.2	.09	.13
1969-71 .....	.05	2.1	.12	.10
1970-72 .....	.09	2.0	.28	.10
1971-73 .....	.14	1.8	.28	.12
1972-74 .....	.13	1.6	.21	.11

¹ The following qualifications apply: Buses include only intercity operations (regular route and charter) of all class I bus carriers reporting to the ICC and the Bureau of Motor Carrier Safety of the Federal Highway Administration, automobiles include tax is, railroads include only "railroad passenger trains," and airlines include only scheduled air transport planes.

² Excluding drivers or operating crews, except in the case of automobiles.

Source: "Accident Facts," National Safety Council, Chicago, except rates for intercity buses, which are derived by NAMBO from ICC and Bureau of Motor Carrier Safety data.

Common Starting Point for Intercity Passenger Transportation Planning

By GERARDUS J. SCHOTT and LUIN L. LEISHER
The Boeing Commercial Airplane Co.



We live in a time when long established patterns of transportation encounter increasing scrutiny by many sectors of our society. We see traditional roles of transportation being challenged, and hear public clamor for an explicit national transportation policy. In short, we face a pressing transportation question: Where do we go from here?

In approaching this question, we need a clearer picture of our present position. No single discipline can alone provide this; a combination of efforts is needed. The study reported here makes one such effort. It offers comparisons of intercity passenger transportation modes—air, auto, bus and train—in comparative terms of energy efficiency, emissions, and service and economic aspects. It strives particularly for clear and readily grasped ground rules.

Many papers have been published on modal energy efficiencies, and they have generated wide differences in the values quoted. Attempts to reconcile the differences prove very difficult, since clear, consistent ground rules are often lacking. The study reported here emphasizes such ground rules. Our energy analysis applies to spring of 1974 conditions, and is based on a detailed analysis of travel between ten city pairs. Some results simply confirm a widespread finding: Intercity buses are superior to all other passenger modes. But the analysis also shows aircraft, autos, and trains to have comparable energy efficiency at the longer distances. Some current trains are more energy-efficient than aircraft and autos over short routes.

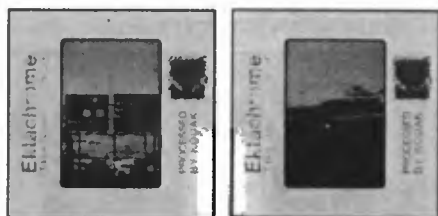
Our emission comparisons (CO , HC and NO_x) show trains having consistently higher emissions per passenger than the other modes—the only exception being the CO and HC emissions on the New York-Washington run, which reflects the characteristics of electrical generating plants. Aircraft, auto and bus emissions tend to fall into a group. For CO and HC emissions, buses generally are lowest and autos highest, with aircraft in between. However, JT3D-powered aircraft fall well outside the normal pattern of this group.

Although environmental compatibility and energy efficiency take the public limelight right now, transportation planners cannot safely ignore how each passenger mode meets the travel needs and desires of the public in terms of service offered and price-quality relationships. The auto continues to be the favorite of U.S. society, dominating intercity travel except at extremely long ranges. Of the common carriers, bus transportation appears to appeal to the short-distance and perhaps low-income traveler, while air dominates the common-carriage market on all but the shortest trips.

Both bus and air offer service over extensive route networks and service patterns, and route maps indicate the extensive availability of air and bus service in all sections of the country. Passenger train service, however, has diminished considerably in the past two decades, resulting in quite limited coverage, especially for North-South travel in the western half of the country. This downward trend in train traffic apparently has been halted, however, in the past two years.



A recent detailed study provides internally consistent comparative data for prominent travel modes as the nation re-examines its transportation needs and resources



The time and cost associated with intercity travel are probably the most important comparative criteria for the passenger. Only small trip-time differences are apparent at the shorter ranges—below 200-250 miles—among the four modes. At the longer distances, of course, the attractiveness of the airplane increases significantly relative to the three surface modes.

Trip-cost comparisons depend on a host of factors, not the least being the traveler's *perception* of total travel costs and his desires relative to style and comfort of travel. For example, to the cost-conscious single traveler who places no particular value on time, the auto appears to be the lowest priced intercity travel mode up to about 750 miles, while the bus has the lowest cost at longer ranges. If, however, time is valuable, air becomes the preferable intercity passenger mode at all distances. Trip-cost comparisons for *family* travel bring out the attractiveness of the auto at all intercity ranges. Bus and air come next, depending on the length of the trip.

In transportation planning, definition of needs of the country must be a primary consideration. How we get there—matching modes to the needs—will consider not only our position today, but also modal improvements and money and resources required.

That high planning we now confront in the nation's councils. This article endeavors to provide generally acceptable, internally consistent comparative data which can form the starting point for the acquisition of sound planning data.



Background

In a climate of change—Where do we go from here?—many sectors of our society have been scrutinizing our long-established patterns in transportation.

In approaching that question, the planner must understand the status of the system. But the many papers of the recent past present bewildering results—claims and counter-claims, left and right, all apparently substantiated with data.

This being so, early in 1974 the Boeing Commercial Airplane Co. organized a study of intercity passenger transportation—scheduled airlines, private automobiles, buses, and passenger trains—with the aim of comprehensively and accurately comparing modes and services. In particular, the study covered energy efficiency, atmospheric emissions, and service and economic aspects of the four modes. In documenting results, particular care was taken to define data sources and methods used in data analysis and reduction.

The general acceptability of the original approach was established through numerous contacts within the Dept. of Transportation (DOT), the Environmental Protection Agency (EPA), the Federal Energy Administration, and NASA. From these agencies the Boeing study group received valuable constructive comments, many reflected directly in its recent detailed reports.¹⁻³

This article presents an overview of the methods and findings of the Boeing study. Spring of 1974 conditions were selected to reflect, as much as possible, actual operations and equipment. In addition, historical trends provide some perspective on a number of facets of intercity passenger transportation.

In some ways the reader will probably find the results described here familiar, but we hope too he will see them supported with clear definitions of assumptions, methods, and data base.

Energy Comparisons

Many authors have analyzed trans-

portation energy efficiency. For example, T-1 presents a modified form of a table prepared by Nutter,⁴ except that Column 1 derives from the Project Independence report.⁵ Notice the wide differences in values quoted for the four passenger modes. Nutter tried to reconcile these differences by comparing assumptions, ground rules, analysis methods, and source data of the various papers; but often the papers lacked the necessary information.

This motivated emphasis on clear, consistent ground rules in the Boeing study. We chose a recent but well reported period—spring of 1974—for energy comparisons and 10 city pairs for analysis in detail. A 60-percent load factor was assumed for all public modes, since load-factor data for specific city pairs was not available.

The overall approach we took offers these advantages:

- Modes compared to specific origin-to-destination jobs.
- Current services define equipment.
- Operational constraints (schedule, route profile and terrain, passenger amenities, and comfort) are automatically included.

—Differences in route distances for various modes between given cities are included.

F-1 presents results for the four modes—passenger *great-circle miles* per gallon being the measure of "goodness" (transportation job measured by the great-circle distance between cities, while fuel used reflects the route each mode actually has to follow). Buses prove derisively superior to the other modes. Aircraft, autos, and trains have comparable efficiencies at the long distances, but some trains are better than aircraft and autos for the short routes.

A major factor in the energy-efficiency analysis was *circuitry*, in the ground modes defined as the ratio of route distance to great-circle distance. Aircraft, in effect, also have circuitry for routes. The specific value varies with airways between cities. Moreover, wind directions at the cities determine which

runways will be operational, and this determines how much flying must be done around the airports. Air Transport Association (ATA) rules were used to estimate such en route allowances. These rules reflect domestic trunkline operating experience. Circuitry for aircraft we define, then, as the ratio of the great-circle distance plus ATA allowances to the great-circle distance.

F-2 presents the circuitries for the ground modes based on analysis of 94 city pairs and for the air mode based on the ATA allowances (a function of trip length). The air circuitry assumes nonstop flights only. (Analysis of air traffic between city pairs served by all four modes shows that, in these markets, over 90% of the travelers flew nonstop.)

Aircraft Data: Fuel-efficiency data was developed for about twenty types of aircraft. Before the oil embargo, airlines operated their aircraft to achieve minimum direct operating cost (DOC) per mile. This took cruise speeds somewhat higher than those for minimum use of fuel. The curtailment of aviation fuel supplies by the then Federal Energy Office caused the airlines to change their flight operations. In particular, they flew aircraft closer to Long Range Cruise speed (at which only 1% more fuel is used than the minimum attainable) and at altitudes closer to the optimum. This procedure also came close to achieving minimum operating costs when aircraft fuel prices rapidly escalated in 1974.

The Boeing study used Long Range Cruise speed and step-climb cruise around the optimum altitudes to calculate aircraft fuel utilization. Because the average number of in-service seats for each type of aircraft was not known for the spring of 1974, we used the latest available values—1972 airline reports to the CAB. These values run lower than the manufacturers' specifications of seating levels, and fall somewhat lower than 1974 figures.

F-3 presents a typical set of airplane fuel-efficiency data. The two graphs aid interpolation for any range and any



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number of passengers. Ranges between 2000 and 3000 mi. usually produce optimum efficiency. Efficiency drops off at longer distances due to the need to carry more fuel. Two factors reduce efficiency over the shorter ranges: decreasing length of the efficient cruise leg relative to the less efficient climb leg and, at the very short distances, increasing proportional penalty of the ATA allowances. Whether the ATA rules present a realistic picture of average short-distance operations may be debatable, but no better agreed-upon rules are available. Most likely, non-trunk airlines incur smaller penalties due to operation at less congested airports.

Much confusion is created in the literature by using the latest available (i.e., 1971 or 1972) CAB data for total revenue passenger miles and for total fuel used by the airlines. This data does not reflect post-embargo airline operations. T-2 shows for the 727-200 how the pre-embargo CAB gross statistical data can be reconciled with the post-embargo calculated performance. The latter was taken as a starting point and corrected to 1972's average number of seats, average load factor, and flight operations. Only a small difference remains with the fuel-efficiency figure derived from 1972 CAB 727-200 gross statistics.

This comparison demonstrates the importance of clear, rational ground rules as a basis for efficiency calculations.

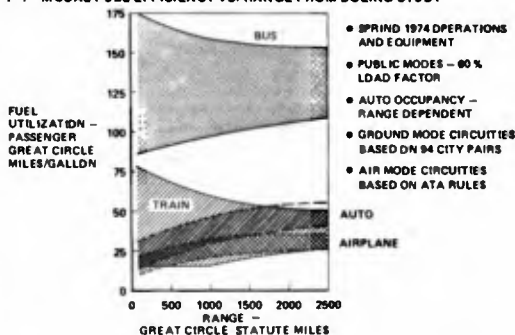
Automobile Data: Many factors determine auto fuel mileage: model-year distribution, size and weight, speed, power options, mechanical conditions, driver habits, geography, occupancy, traffic conditions. Published test data defining the effects of vehicle weight and speed formed the basis for our calculations. Available statistics do not define the weight and age distribution of autos used in intercity travel. Our estimates indicated that the average intercity auto used in 1974 would be a 1972 model, and that it would weigh between 3700 (average weight of all 1972 autos, including imports) and 4500 lb (median weight of full-sized cars). Comparisons of fuel mileage between open-road and urban driving were obtained from *Consumer Reports*.⁶ For air conditioning we took a 0.75-npg penalty, and for driver habits and car mechanical condition a 1.0-npg penalty. For other factors so little information was available we attempted no additional corrections.

The Boeing study applied these data to the ten city pairs and calculated average route miles per gallon to compare our data with *Consumer*

T-1 PUBLISHED ANALYSES OF PASSENGER-TRANSPORTATION FUEL EFFICIENCY

MODE	PASSENGER MILES PER GALLON						SEAT MILES PER GALLON					
AUTOMOBILE												
AVERAGE SUBCOMPACT	48	30	30	32	38	32	75	64	100	100	85	81
												78
INTERCITY BUS	118	110	104	175	82	175	78	215	300	250	270	
TRAIN												
CROSS COUNTRY	38	50	150+	80	46	80	50	144				
METROLINER								75	210	210		
COMMUTER						100		200				
BUS/RAIN						200		400				
AIRPLANE												
WIDE BODY						22		40				
AVERAGE	15	18	14	14	18	21	18	34	52	98	22	
INVESTIGATOR	FEA	DOT/TSC	DOT/OTEP	Hart	Hart	NCMP	Mood	Russ	DOT/OST	Frazer	Leib	Austin

F-1 MODAL FUEL EFFICIENCY VS. RANGE FROM BOEING STUDY



Reports 340-mi. test runs, interpolated for 3700- and 4500-lb cars. F-4 shows reasonable correlation. However, the *Consumer Reports* data pertains to low-mileage cars in good condition. Consequently, the Boeing analysis likely produced slightly optimistic figures for auto fuel mileage.

F-4 reflects an occupancy of two persons, irrespective of trip distance, because that was approximately the *Consumer Reports* test "payload." Travel statistics indicate, however, that average car occupancy tends to increase with trip distance (F-5). Because the data points in F-5 represents tens of thousands of interviews, we consider it a statistically significant sample. We took linear extrapolations for trip distances beyond 800 mi. The auto fuel-efficiency curves of F-1 assume the car-occupancy trends of F-5.

Bus Data: We found extremely little information on bus fuel mileage. The National Association of Motor Bus Operators (NAMBO) gave a national average of 6.0 mpg, with Greyhound and Trailways averages being 6.2 and 5.5 mpg, respectively. NAMBO gave a national average of 43 seats per bus.

F-6 shows fuel mileage for various types of buses and relative numbers of them in a large regional fleet. The weighted average for the fleet comes quite close to NAMBO's national average. The Boeing study therefore took 5.4 mpg and 6.6 mpg as lower and upper limits for the fuel efficiency of intercity buses. It also took the industry average capacity of 43 seats per bus.

It is unfortunate that more-detailed data are not available in the public domain. However, it can be seen in F-1

that only very large deviations from this data could affect the relative merits of buses and other passenger modes, and such large deviations appear extremely improbable.

Train Data: Measured fuel-consumption data for diesel-electric passenger trains is scarce, but at least some is in the public domain. Burlington-Northern measured the fuel consumption of the Empire Builder (Seattle-Chicago) between Seattle and Havre, Montana. Using detailed track information, Boeing ran a computer analysis that accurately predicted the fuel the Empire Builder used. The analysis was then used to derive a more practical, semi-empirical method. This method showed a difference with the measured Seattle-Havre consumption of only 3% (F-7). However, for the Southern Railway train between Atlanta and Washington, D. C., this analysis predicted 20% less fuel use than the measured. Thus, for diesel-electric trains we assumed a lower bound on fuel consumption equal to our calculation and an upper value 20% higher.

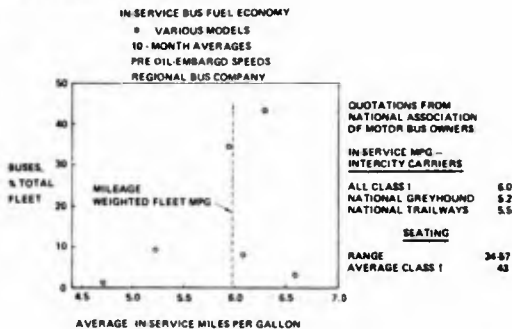
F-7 also shows a breakdown of the calculated fuel consumption for Seattle-Havre. Note the very large influence of the grade and duty cycle, which in our analysis was correlated with the average track rise per mile for each segment of the entire route. This demonstrates that idealized train-efficiency analyses, which assume a straight-and-level track and constant speed, will produce unrealistically optimistic efficiency values.

For the Metroliner, two analyses conducted at Boeing straddled the fuel mileage quoted by Rice.⁷ His data was therefore used. Fuel-consumption data provided by Amtrak was used for the Chicago-St. Louis Turboliner.

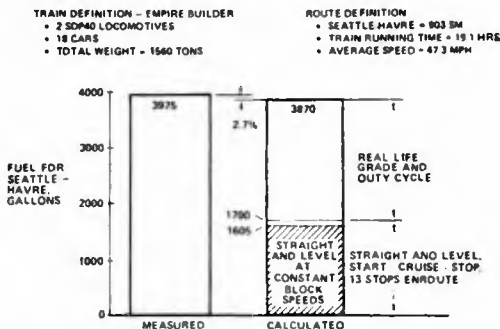
City-Pair Analysis: The ten pairs selected from the 94-pair sample include cities with populations exceeding a million and pairs providing representative coverage of the contiguous United States, both in geography and topography. The city-pair distances range from 100 to 2,300 st. mi. in reasonable increments. Two city pairs were selected for their special train connections: New York-Washington (Metroliner) and Chicago-St. Louis (Turboliner). The *Official Airline Guide* defined the types of airplanes and their weekly frequency on nonstop flights. For autos, AAA Triptiks defined automobile routes and hence the circuitry. Greyhound through-schedules defined bus routes. Amtrak schedules defined train routes, and Amtrak train records the equipment used. U.S. Coast and Geodetic Survey

July/August 1975

F-6 INTERCITY-BUS MPG



F-7 MEASURED VS. CALCULATED TRAIN FUEL CONSUMPTION



topographic maps over the full length of the train routes defined the round-trip elevation data for the train fuel calculations.

Average load factors, by mode, between specific city pairs were not available. Fuel-efficiency comparisons for each city pair were therefore plotted as a function of load factor. The capacity of the average intercity auto was assumed to be five seats. F-8 shows a sample of the data-presentation technique. Buses are clearly more efficient than the other modes. Trains and autos are about equal for this city pair, with airplanes least efficient. The study showed improving airplane efficiency for increasing trip lengths. At long distances aircraft, autos, and trains had about equal efficiencies.

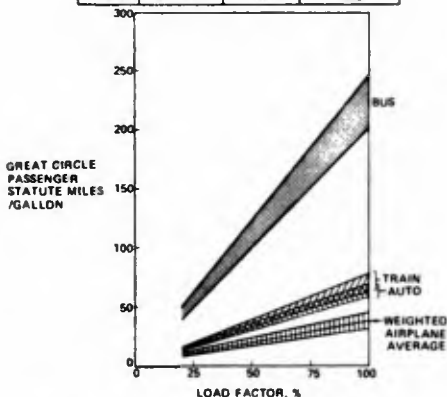
Relative efficiencies of buses and trains especially attract attention. The table in F-8 shows the very low Operating Empty Weight (OFW) per passenger for an average bus (6.30 lb). For long-distance trains with diners, sleepers and other amenities, the OFW per passenger typically runs 8000-10,000 lb (with one extreme of 20,000 lb encountered). For all-coach diesel-electric trains this figure comes to about 4000 lb; for the Metroliner, 2600 lb; and for the Turboliner, 1700 lb.

For each of the modes, the city-pair data was generalized to represent the 94 city-pair samples. F-9 shows schematically how this was done for trains. The full-circuitry band of the 94 city pairs was used. If, instead, only circuitries of 1.45 and lower had been

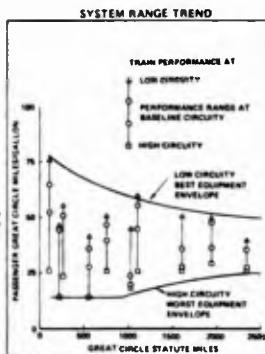
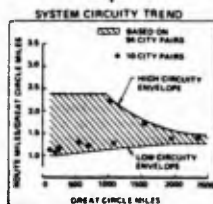
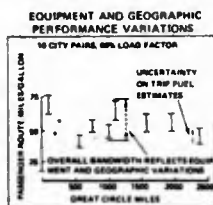
F-8 SAMPLE OF CITY-PAIR
MODAL COMPARISONS

NEW YORK-CHICAGO

MODE	GAL/SEAT	OEK/SEAT (LB)	FLOOR AREA/ SEAT (FT ²)
AIR	16.36-22.94	1023-975	10.13-8.63
AUTO	10.60-12.85	750-900	5.5-6.1
BUS	3.01-3.68	630	5.6
TRAIN	9.3-11.2	7800	30.8



F-9 DEVELOPMENT OF SYSTEM RANGE TREND: INTERCITY TRAINS



used, then the generalized train-efficiency band would have shown a modified lower limit at approximately 25 passenger great-circle miles per gallon for all distances. However, the upper limit of trains would not have been improved, since it is associated with minimum circuitries.

It has been argued that T-1, even if accurately reflecting the spring of 1974 conditions, presents an unfair picture for trains, because Amtrak inherited much old equipment suffering from decades of neglect. How would the recently ordered Amtrak equipment fare in our comparison technique and what would the fuel efficiency be of well-run foreign trains? F-10 shows recalculated efficiencies for all-coach U.S. trains using the new equipment. An efficiency improvement of about 50% may be realized if the new equipment runs at speeds no greater than given by existing schedules. The gain mostly reflects the higher seating density of the new coach cars. The improved efficiencies are only shown for trip distances up to 500 mi. in view of the all-coach nature of the trains.

The Shinkansen (literally, New Trunk Line) train from Tokyo to Osaka also yielded a higher efficiency than the upper limit for trains in F-1. However, if one reduces the seating density of this train to that of the new Amtrak coaches, then the Shinkansen's fuel efficiency would lie at the upper limit for trains in F-1. This apparently low efficiency for a train which runs on a high-quality, dedicated roadbed reflects the adverse influence of the very high Shinkansen clock speed. It remains to be seen whether the recently ordered Amtrak equipment will be used to obtain better fuel economy or higher schedule speeds.

Summary: Many details must be taken into account in comparing passenger-transportation fuel efficiencies. Clear ground rules greatly improve the probability of making fair comparisons. Miller and Sehott recently enumerated the difficulties of making fair comparisons.⁸

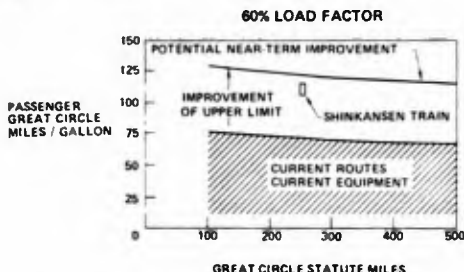
The planner must decide to what extent the data presented here bears on his problems. Certainly it would be incorrect to use this data across the board for policymaking. Policymaking implies a choice among different broad scenarios for the future. Undoubtedly all modes can improve their fuel efficiencies, but this study makes no such projections. In any case, fuel efficiency will be only one of many factors defining the form of future transportation systems.

Emission Comparisons

Our emission study took ground

F-10 NEAR TERM IMPROVEMENT POTENTIAL FOR SHORT DISTANCE INTERCITY TRAINS

Sixty percent load factor. Potential near-term improvement involves low-circuitry routes, current schedules, and newly ordered equipment.



rules paralleling as much as possible those of the energy study: spring of 1974 conditions and equipment, for specific city pairs, with comparisons of CO, unburned hydrocarbons (HC) and NO_x. We used only data in the public domain.

For the air mode, the Environmental Protection Agency (EPA) has proposed aircraft engine-emission limits associated with a takeoff and landing cycle up to an altitude of 3000 ft—the EPA having argued that the atmosphere's mixing layer averages 3000 ft and that any emissions into the mixing layer could contribute to pollution at ground level. The EPA felt that pollution emitted above the mixing layer would not affect people. By the same token, it appears unfair to count all emissions of the ground modes on their journeys between city pairs.

For this reason, we introduced a concept of *pollution sensitive areas*: defined as en route cities, having populations greater than 2500, exceeding the National Ambient Air Quality Standards in one or more of the three pollutants (CO, HC and NO_x) for more than 10% of the fall-quarter mornings.

As in the energy study, we assumed the load factors of the public modes to be 60% and auto occupancy to be a function of trip distance (see F-5).

F-11, F-12, and F-13 present the pounds of CO, HC and NO_x emitted per passenger into the *pollution sensitive areas* along the routes for each of the five city pairs and the four transportation modes.

Trains show consistently higher emissions per passenger than other modes—the only exception being the CO and HC emissions for New York-Washington, which reflects the

characteristics of electrical generating plants.

Aircraft, auto, and bus emissions tend to fall into a group. For CO and HC emissions, buses usually are lowest and autos highest, with aircraft in between. However, JT3D-powered aircraft fall well outside the normal pattern of this group. The NO_x emissions of this group have different rankings for different city pairs.

Over longer trips one would expect higher values of pounds of pollutant per passenger into pollution-sensitive areas along the route. However, some regions of the U.S. are more pollution-sensitive than others. Thus the values in F-11-13 are not only a function of length of trip, but also of the particular areas of the U.S. through which routes pass.

Defining Pollution-Sensitive Areas: Since no maps of the U.S. indicate pollution-sensitive areas (either by our definition or by any other), the following procedure was devised. It rests on two sets of information, both published by the EPA.^{9,10}

The first set of data covers average rate of pollutant production per unit of area for each Air Quality Control Region (AQCR). F-14 presents this data for HC plotted against the average population density of each AQCR.

The second set of data was mapped as contours of equal "pollutant ratio" (ratio of the concentration at ground level to the pollutant production rate per unit of area) exceeded 10% of the fall-quarter mornings. F-15 shows an example of such a map.

F-15 basically reflects the meteorological conditions in the fall quarter. Where air layers are stagnant, the pollutant concentration will be high for a given emission rate. On the other

hand, where winds occur (e.g., over Florida) the pollutants will be dispersed and a low concentration will be observed for the same emission rate.

F-15 combines an analysis of pollution dispersion with known statistical meteorological conditions for all areas of the U.S. In the analysis, the size of the city (in terms of downwind distance) plays a role. Contours are available for cities 10 km and 100 km long in the wind direction.

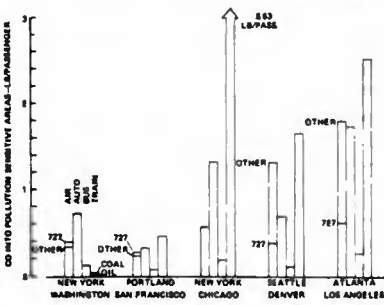
The analyst needs the following information to determine if a city is a pollution-sensitive area. First, he needs the city's population and area (from census data),¹¹ so that he can calculate its average population density. Population density determines the average emission rates for HC (per F-14) and for CO and NO_x using similar correlations. He can then derive a "pollutant ratio" for the city from F-15 and a similar figure for cities 100 km long in the wind direction. (An equivalent diameter, derived from the area given in the census data, was used as the downwind size of the city.) The product of the pollutant production rate from F-14 and the pollutant ratio from F-15 established the average pollutant concentration exceeded 10% of the fall-quarter mornings. If any of the three pollutant concentrations so calculated exceeded the corresponding National Ambient Air Quality Standards, then that city was defined as a pollution-sensitive area.

A few comments on the method are in order. The scatter in the data shown in F-14 indicates that the emission rates depend on more variables than just average population density. Possible other factors include the type of industry found in the various Air Quality Control Regions and the different degrees of homogeneity in the distribution of industry and population within each AQCR. Unfortunately, available data does not allow more detailed analyses and correlations.

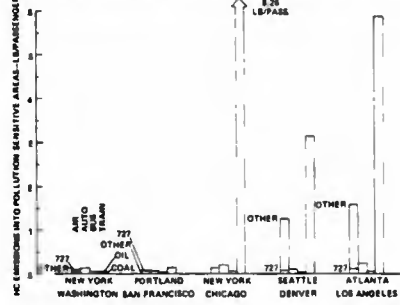
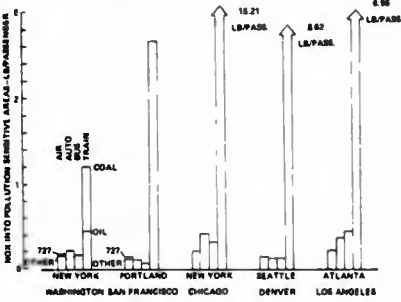
EPA pollution-control measures probably are moving the curve of F-14 down to lower values. The use of data several years old may therefore present a pessimistic picture. Moreover, the contours shown in F-15 represent only gross meteorological patterns, and not local deviations. Our analysis assumed the fall quarter would be critical in terms of meteorological conditions favorable for high pollutant concentrations; but some areas may have more-critical meteorological conditions in one of the other seasons.

Source Data—Aircraft: The pollutant-emission rates for aircraft engines were based on an EPA-sponsored Cornell report.¹² It is realized that this

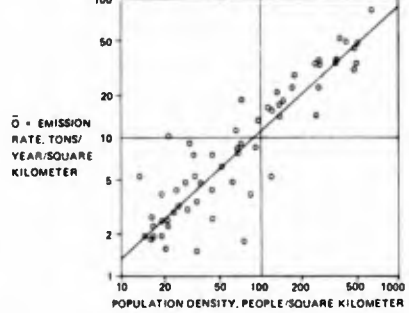
F-11 CO EMISSIONS INTO POLLUTION-SENSITIVE AREAS



F-12 HC EMISSIONS INTO POLLUTION-SENSITIVE AREAS

F-13 NO₂ EMISSIONS INTO POLLUTION-SENSITIVE AREAS

F-14 UNBURNED HYDROCARBON VS. POPULATION DENSITY



F-15 CONTOURS OF POLLUTANT RATIO, X/O



- UPPER DECILE AUTUMN MORNING
- CITY SIZE, 10 KM IN WIND DIRECTION
- \bar{X}/\bar{O} UNITS ARE SEC/METER
- \bar{X} = POLLUTION CONCENTRATION, WEIGHT PER UNIT VOLUME
- \bar{O} = EMISSION RATE, WEIGHT PER UNIT AREA PER SECOND

report does not contain consistent data for the various engines. More accurate data is available for some engines, but it is not yet in the public domain.

T-3 gives the takeoff-and-landing-cycle times used in the analyses for the various cities. These times differ in some respects from the times in the EPA cycle. As explained in the preamble to EPA part 87,¹³ the EPA-cycle taxi times were deliberately selected to represent severe airport operating conditions. However, average traffic conditions applied to our study; and consequently we reduced taxi times by making them proportional to the yearly number of operations at the airports. We did take the EPA-cycle taxi times for Chicago O'Hare. Our simplification should be replaced, of course, by recorded average taxi times on the airports in question when such data becomes available.

Meteorological data indicate that many places experience inversions at altitudes below 3000 ft.¹⁰ Mixing of the atmosphere only extends to the base of the inversions. We therefore use inversion-base altitudes in this study, and we reduce the climbout and approach times from the EPA cycle times, which were based on a cutoff altitude of 3000 ft.

Source Data—Autos: Our study used 1972 EPA data¹⁴ for pollutant emission rates at a speed of 19.6 mph for low-mileage cars of various model years, together with speed-correction factors (F-16) for the three pollutants of interest, and deterioration factors as a function of the age of the vehicle.

But pollution-emission rates showed significant, abrupt reductions in the last few years. This made the use of a 1972 auto as the average for the intercity fleet questionable. We consequently further assumed an age distribution for the intercity auto fleet. F-17 shows this distribution, together with EPA's age distribution of all autos in the U.S. The age distribution of the intercity fleet rested on a simple analysis. In view of the uncertainties in the derived distribution, a check was made for one city pair by using also the EPA curve of F-17. We found a difference in the calculated emission per trip of only about 25%.

Source Data—Buses: Bus pollutants come mainly from exhaust emissions. Crank-case blowby and fuel evaporation play a negligible role. Diesel buses produce relatively low CO and HC emission levels. NO_x being the main pollutant.

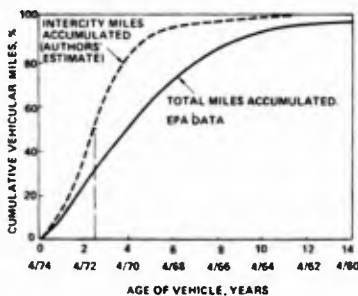
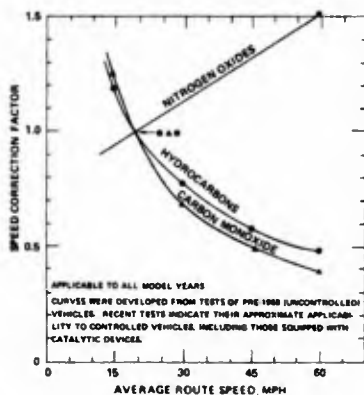
As before, we took emission data from EPA.¹⁴ However, compared to the data for autos, it was very rudimentary: only an average emission

T-3 TAKEOFF AND LANDING CYCLE TIMES

DEPARTURE/DESTINATION	YEARLY OPERATIONS	LOCAL INVERSION HEIGHT (CUT OFF ALTITUDE)	TIME IN MODE, MINUTES				
			TAXI OUT	TAKE-OFF	CLIMB OUT	APPROACH	TAXI IN
NEW YORK	380,000	2889	11.3	7	2.12	3.85	4.1
WASHINGTON	329,972	2838	9.8	7	2.08	3.78	3.9 *
CHICAGO	641,429	2200	19.0	7	1.81	2.93	7.0
PORTLAND	78,914	2308	7.4 *	7	1.89	3.08	3.9 *
SAN FRANCISCO	366,766	1983	10.9	7	1.48	2.84	4.0
SEATTLE	156,144	2254	7.4 *	7	1.85	3.00	3.9 *
DENVER	349,205	3688	10.3	7	2.20	4.00	3.8 *
ATLANTA	438,704	2798	13.0	7	2.05	3.73	4.8
LOS ANGELES	493,234	2087	14.6	7	1.53	2.78	5.4
EPA CYCLE		3000	19.0	7	2.20	4.00	7.0

* LOWER LIMITS ON TAXI TIMES

F-16 EFFECT OF SPEED ON EMISSIONS: AUTOMOBILES



F-17 AUTO MILEAGE DISTRIBUTION VS. AGE

rate per mile for an average bus with a weight of 30 tons and a fuel mileage of 5 mpg.

Source Data—Trains: An EPA report presents only average emission rates collected on three individual engines of two types.¹⁵ We also used data for a third type of engine, as found in a Southern Pacific report.¹⁶

We were informed by DOT's Transportation Systems Center that General Motors has brought out new fuel injectors to reduce low-power emissions of diesel-electric locomotives. To the best of our information, however, very few locomotives carried the new injectors in the spring of 1974.

EPA has given figures for the emissions of electric power plants, both coal- and oil-fired¹⁴; and we used these for the electric trains.

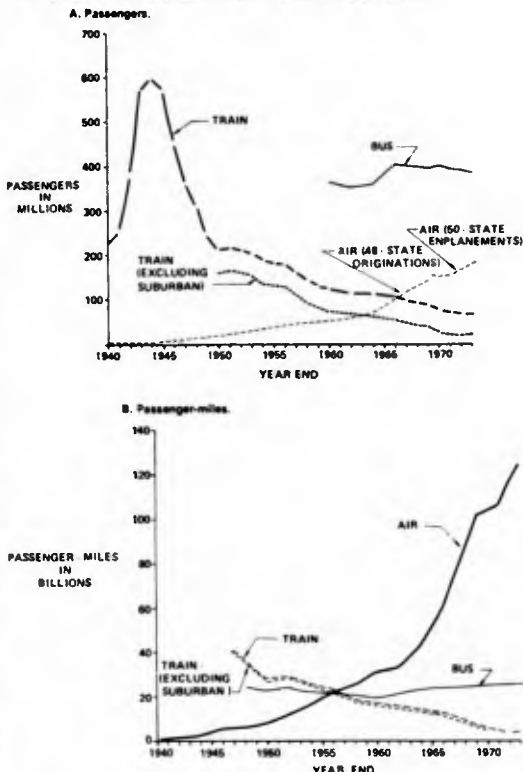
Source Data—Summary: The reader will recognize by now that the published emission data for the four modes varies significantly, both in detail and in quality. Aircraft-engine data suffer from underdeveloped measuring techniques. Bus data has been available in gross terms only, i.e., pollution per mile. Diesel-electric locomotive data suffers from the small number of locomotives tested. EPA knows these deficiencies and has been vigorously working on acquiring and publishing better data.

City-Pair Study: F-11-13 show the city pairs studied. Of the airplane models flown between each pair of cities, we analyzed only the most commonly flown model. According to the *Official Airline Guide* this was the 727 for four city pairs and the DC-9 for the fifth. For city pairs where another model had flight frequencies similar to the leading model's, the other model was also analyzed. For New York-Washington, this was the 727; for Portland-San Francisco, the 737; and for Seattle-Denver and Atlanta-Los Angeles, the DC-8. For diesel-electric trains, data for the E8 and FP7 engines was available; SDP45 data was used for SDP40 engines.

The distances travelled through pollution-sensitive areas were measured on AAA Triptik maps for autos and buses. For trains, the distances were the equivalent diameters of those cities (if pollution sensitive) shown on the train schedule.

Finally, we would emphasize, city-pair studies may reveal large differences in emissions into pollution-sensitive areas for trips with the same route miles. This primarily depends on the extent to which the routes traverse pollution-sensitive regions. Generalization of emission data therefore requires large samples of city pairs.

F-18 INTERCITY PASSENGER TRAFFIC: COMMON CARRIERS



Service and Economic Comparisons

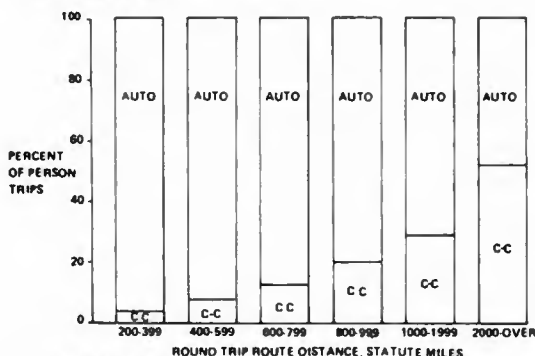
Besides environmental compatibility and energy efficiency, it is just as important to consider service offered and the price-quality relationships associated with service. Transportation policy will continue to be determined by the public desire for mobility, but it will be tempered by the need for consistency with other national interests.

Intercity Traffic: F-18 shows the historical intercity passenger traffic split among the three common-carrier modes in terms of both passengers carried¹⁷⁻²² and revenue passenger miles.^{17-20,23,24} Bus travel has remained essentially constant since WW II. Travel by air has increased

substantially. Until recently, train travel showed a continual decrease in both passengers carried and passenger miles. Amtrak data indicates some reversal in that trend in the past two years.

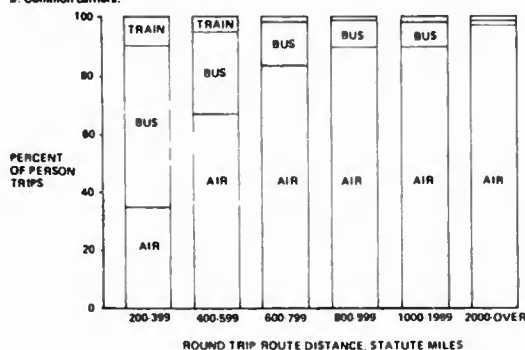
Passenger traffic by train is normally shown in two categories: commutation and other than commutation, depending on whether tickets were bought in ticket books or as single tickets. The latter group includes both suburban and intercity passengers. Data from Association of American Railroads publications^{20,21} and from the Doyle Report²² indicate that about 50-million suburban single tickets are sold each year. The lower train-traffic

F-19 1972 MODAL DISTRIBUTION BY RANGE
A. Auto vs. common carriers.



C-C = COMMON CARRIERS

B. Common carriers.



curve in F-18 excludes these singly-ticketed suburban travelers.

Average intercity trip lengths give an indication of the travel market served by each of the common-carrier modes. Average trip length, calculated from intercity traffic data, runs about 700 miles for air travel and 200-250 miles for train passengers, excluding suburban travelers.^{20,23} Passenger trips on Class I, II and III intercity buses average about 70 miles, whereas trips on Class I buses average just over 100 miles.

National Travel Survey data shown in F-19 tend to confirm the market distribution indicated by average trip length.²⁵ This data also shows the

tremendous, obvious dependence of our society on the auto for intercity passenger transportation. Bus transportation appeals primarily to the short-distance traveler, and air dominates the common-carriage market at all but the shortest trip distances. It should also be noted that at the shorter ranges air takes a significant common-carrier share of intercity passengers.

Being based on surveys of 24,000 households, these data are subject to some statistical variability. And they exclude round trips under 200 miles, thus omitting at least some of the bus and train intercity traffic. Nevertheless, they indicate general traveler attitudes

toward the intercity passenger modes.

The National Travel Survey also collected family income and trip purpose data, as shown in F-20. A comparison of the modal distribution of family income with that for the total survey sample, shown in the right-hand column, indicates that lower-income families tend to choose the bus for common-carriage transportation. Since F-19 indicated that the bus attracted the short-distance traveler, it is unclear which, trip cost or trip distance, or a combination of the two, principally motivates bus travel. Similarly, it would appear from the two figures that air attracts a higher percentage of the high-family-income and/or long-distance travelers than the other two common-carrier modes. Income distribution of train travelers appears reasonably consistent with total distribution. The business traveler in the National Travel Survey accounts for a larger percentage going by air and train than that indicated by the total survey sample. On the other hand, pleasure trips seem to dominate the bus mode in the National Travel Survey.

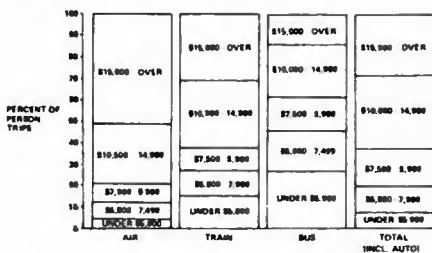
Service Factors: F-21 shows average annual system load factor for the three common-carrier modes. 18.23-26-27 Data for air and bus take the form of the ratio of revenue passenger miles to available seat miles. We lacked sufficient information on train traffic to determine separately commuter and intercity system load factors. Thus, F-21's train load factors do not compare directly with air and bus. Train load factors, moreover, take the form of the ratio of the average number of passengers per car to the average number of salable seats per car, based on averages calculated from the year-end passenger rail fleet, and thus ignoring any differences in utilization among the various kinds of cars.

Load factor should not be considered an absolute measure of comparative efficiency with which the modes use their available transportation resources. Equipment availability, scheduling over complex route networks or along fixed right-of-way, public-service obligations, adherence to published schedules, and other considerations determine to a large extent the number of available seat miles. These considerations, together with the obligation to meet peak-season and peak-hour demands, may preclude precise tailoring of equipment size to each route segment.

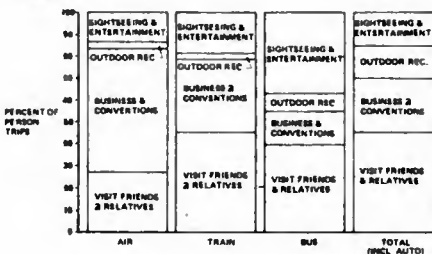
Historical evolution of the service levels offered by the three common-carrier modes closely parallels the intercity passenger traffic trends. Both bus and air offer service over extensive

F-20 MODAL DISTRIBUTION FACTORS: 1972

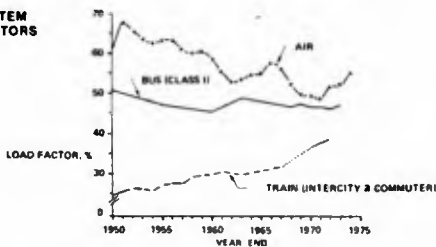
A. Income.



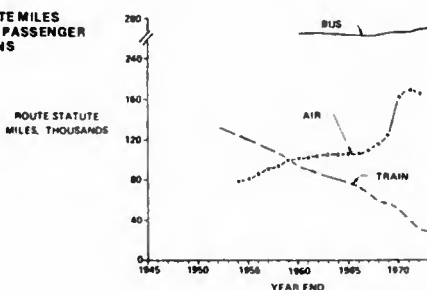
B. Trip purpose.



F-21 SYSTEM LOAD FACTORS



F-22 ROUTE MILES SERVED IN PASSENGER OPERATIONS



networks (F-22), in all sections of the U.S. 18.23 Rail passenger service has diminished considerably in the past two decades, resulting in quite limited domestic U.S. coverage, especially for North-South travel in the western half of the country. 20 As a result, travel by train in many sections must follow much more circuitous routes than travel by the other modes. Comparison of the rail passenger network to the total mainline rail network reveals how little the passenger service exercises the total available track, and also indicates a potential for near-term train improvement through service over more direct routes. 1

F-23 compares the safety records of the four intercity passenger modes, measured in terms of the passenger fatality rate per 100-million passenger miles. 28 These data indicate that the safety records of the three common-carrier modes have been relatively comparable over the past decade, and that auto safety appears to be improving, although its fatality rate remains higher than the common-carrier.

System Economics: F-24 summarizes recent financial performance of the three common-carrier modes. Data for air include the passenger and cargo operations of the domestic trunk carriers in scheduled service. 17 Bus data represents Class I intercity companies. 18 Rail passenger service means Class I railroad system costs based on Interstate Commerce Commission cost-allocation procedures. 19,20 They include both intercity and commuter rail passenger operations. Total passenger system revenue for railroads includes, besides passenger fares, mail and express. Passengers are the principal revenue source for both the domestic trunk airlines and the Class I buses, and account for a large part of Amtrak revenues as well. Both air and bus have maintained positive net operating income during the period shown, while rail passenger service, including Amtrak operations, has seen negative net operating income in the same period. Amtrak revenues represent less than two-thirds of its total operating costs in 1973.

While the average passenger yields of both train and bus have increased in recent years, F-25A shows that both remain substantially below the average passenger yield of the domestic air carriers. 17,18,20 (As used here, "yield" means the average revenue per passenger mile, and is indicative of the average fare associated with each mode.) F-25B compares the ratio of

total operating cost to revenue passenger miles for Amtrak, Class I bus operators, and the domestic trunk air carriers, 17, 18, 20.

F-24 and F-25 indicate that fare policies of both the air and bus modes are based on a full-cost-recovery philosophy. Intercity passenger trains, however, appear to operate with passenger fares substantially below full-cost recovery,²⁹ and yield increases of at least 50% appear necessary to provide full-cost recovery. This presumes that operating charges paid by Amtrak for the use of privately owned rail rights-of-way would continue at the same level.

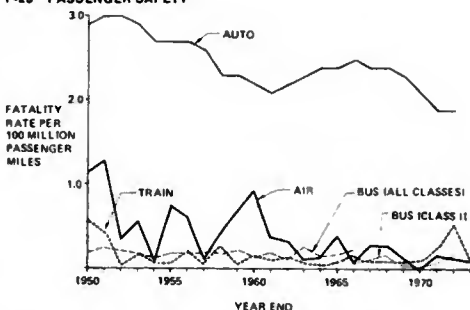
In putting the economic picture in perspective, it should be pointed out that train data include costs associated with ownership, operation, and maintenance of the privately owned rail rights-of-way. Both airlines and buses use facilities predominantly publicly owned. However, airline operating costs include landing fees and lease and rental charges associated with the use of airport facilities, and the operating costs for the bus companies include both state and Federal taxes, which compensate for costs of highway development, operation, and maintenance. Also, under the existing concept of user taxation, Federal costs associated with the development of airports and air-traffic control and navigation facilities used by the airlines are funded from the Aviation Trust Fund. The income of this Fund predominantly comes from excise taxes levied on the airline passenger. As a result of such differences, it is difficult to develop directly comparable financial information for the three common-carrier modes.

Trip Time: Probably the most important comparative criteria for the passenger are the time and cost associated with intercity travel. F-26 compares trip time among the modes, based on detailed analyses of twelve city pairs.

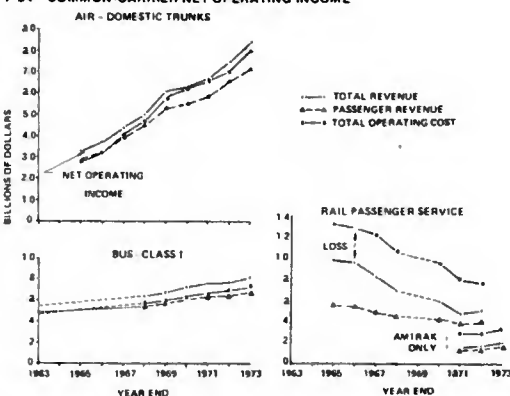
The en route travel times for common carriers reflect published schedules,³⁰⁻³² over routes yielding shortest travel time. Access times for airports are based on public schedules of airport limousines or buses running to the city centers.³⁰ Airport terminal time for check-in, baggage claim, etc. was assumed to be 30 minutes for all city pairs. For buses and trains, it was assumed that local access time plus time required within the terminal at both ends of the trip would total 45 minutes for all city pairs. Bus or train travel includes no time allowances for rest or meal stops.

July/August 1975

F-23 PASSENGER SAFETY



F-24 COMMON-CARRIER NET OPERATING INCOME



We selected two sets of assumptions to bound auto trip-times.

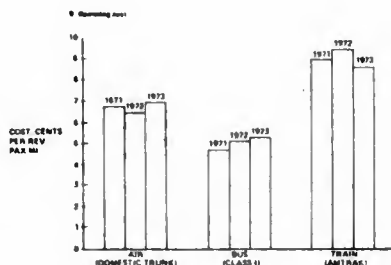
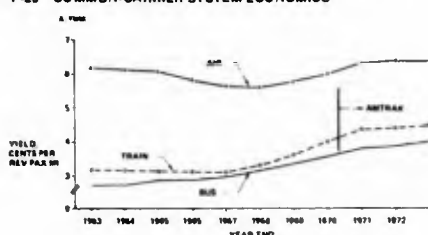
In the first, travel time corresponds to intercity time and distance data³² consistent with highway speeds prevailing before imposition of the national 55-mph speed limit (considered by many as indicative of current driving habits in many areas). These prevailing speed data also assume the motorist drives a maximum of 12 hr per day, plus two rest stops of 15 min each and a lunch break of 45 min, and makes an overnight stop after 12 hr of driving unless only an hour or so remains to complete the trip.

In the second case, intercity driving times and distances reflect the impact of the national 55-mph speed limit and

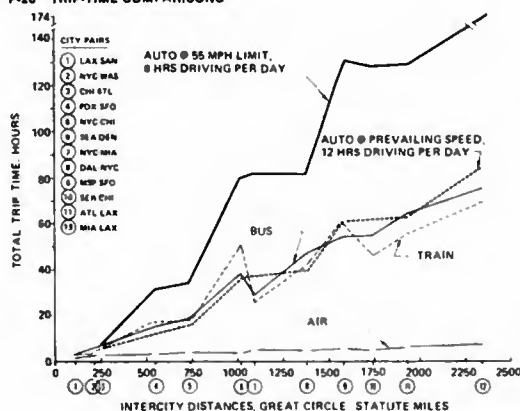
a driving time of 8 hr per day, with the same assumptions for rest and meal stops plus an overnight stop after 8 hr of driving.

F-26 indicates only small trip-time differences for all modes below distances of 200-250 miles. For travel beyond 250 miles, trip times by bus and train appear essentially equal. Different highway and rail conditions and the circuitry of the particular highway and rail routes create small differences from city pair to city pair. The attractiveness of the air mode increases significantly as intercity distances become larger. Trip times by auto roughly equal those of rail and bus, but only if one assumes 12 hours of driving per day at previously prevailing high

F-25 COMMON-CARRIER SYSTEM ECONOMICS



F-26 TRIP-TIME COMPARISONS



speeds. Trips based on 8 hr of driving per day at speeds not exceeding the national 55-mph limit take about twice as long as by rail and bus.

Source Data—Trip Costs: We compared intercity trip costs—for a single traveler and for a family of four with children 10 and 12 years of age—based on trip time, common-carrier fares, and the costs of meals and lodging. Also we indicate the effect of placing a monetary value on time.

T-4 outlines the assumptions made for common-carrier trips. Individual fares mean coach-class service in spring of 1974. Family fares reflect the family plans of airlines, Greyhound, and Amtrak. Coach-class train service is probably the most appropriate assumption for train travel under 12 hr. First-class service with sleeping accommodations is probably the more appropriate assumption for longer trips; we assume first-class tickets plus charges for two bedrooms.

T-4 TRIP-COST ASSUMPTIONS FOR COMMON CARRIERS

Factor	Air ³⁰	Bus ³¹	Train ³²	
			Coach	First Class
Fare for family of 4	3.67 x single.	3.5 x single.	3 x single.	AMTRAK quotes
Local access	Published limousine or bus fare	\$3.00 for single, \$4.50 for family	As for bus.	As for bus.
Meals	No extra cost	Single: \$1.20 per hour, \$12.00 per day max; family: 3 x single	As for bus.	As for bus.
Lodging	None.	None or \$25.00 per night	None	AMTRAK charge for two bedrooms.

T-5 AUTO-TRIP COST ASSUMPTIONS
See text for case conditions

Factor	Case 1	Case 2	Case 3
Operating cost per mile	15.9	8.1	4.3
Auto speed limit	55 mph	Prevailing state limit	Prevailing state limit.
Driving hours per day	8 hr	12 hr	12 hr
Lodging cost per night			
Single	\$20.00	\$20.00	\$10.00
Family	\$25.00	\$25.00	\$14.00
Meals cost per hr/max per day			
Single	\$1.20/12.00	\$1.20/12.00	\$0.80/8.00
Family	\$3.60/36.00	\$3.60/36.00	\$2.40/24.00

Travel costs for common carriers mainly reflect posted fares. Travel costs for private autos are not so straightforward. They depend on the traveler's perception of auto operating costs, his driving plan (speed and number of hours driving per day), overnight lodging rates, and meal costs. T-5 describes three sets of conditions for autos.

Basic automobile data come from a DOT report of early 1974 that analyzes the total cost of operating a car over a ten-year, 100,000-mi. lifetime.³⁴ While the report focuses on costs associated with operating a standard-size car in a Baltimore, Md., suburb, the results probably come near national averages.

Automobile operating costs used in Case 1 of T-5 average 15.9 cents per mile and include depreciation, repairs and maintenance, replacement tires, replacement accessories, gasoline, oil, insurance, garage, parking and tolls, registration, and titling.

Case 2 includes only costs directly concerned with the operation of the auto, i.e., clearly mileage- or trip-related, such as repairs and maintenance, replacement tires, gasoline, oil, tolls, and some parking fees. These costs, averaging 8.1 cents per mile, describe the most likely lower bound of the actual cost of operating a family-size auto in intercity travel.

Neither Case 1 nor 2, however, necessarily describes what the traveler perceives as his out-of-pocket auto operating costs, which may include only incremental, trip-related costs, such as gas, oil and tolls. We attempt such a description in our Case 3 for which we assume operating costs of 4.3 cents per mile.

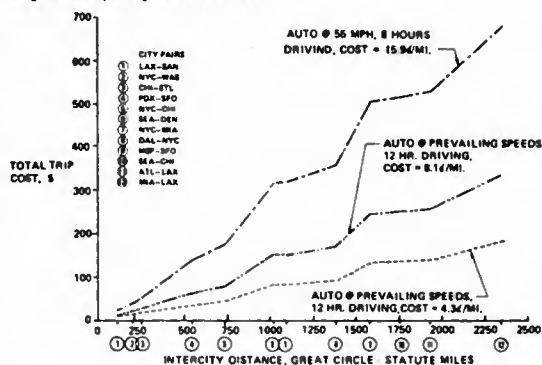
The automobile trip cost comparisons describe three distinct driver and trip philosophies. Automobile operating costs were assumed to be the same for a single traveler or for a family of four. For Cases 1 and 2, the cost of food and lodging was assumed to be the same as those assumed for bus and train travel, and reflects conditions representative of many of the hotels, motels, and restaurants which would be encountered when travelling between the selected city pairs. Case 3 assumes austere choices to illustrate the effect of a lower budget in travel.

Trip-Cost Comparisons: F-27A displays results for the three auto cases. Trip costs differ by a factor of 3 to 1.

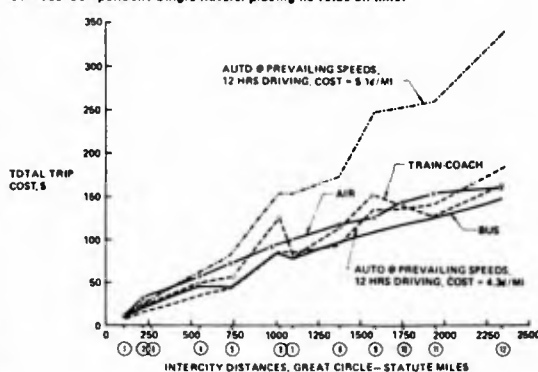
For the single traveler, placing no monetary value on time, F-27B shows comparable trip costs for air and coach-class-train travel. Bus costs are lowest among the common carriers at all ranges. The relationship between trip cost by auto and by common

F-27 TRIP-COST COMPARISONS

A. Effect of cost factors on automobile trip cost: Single traveler placing no value on time.



B. Model comparison: Single traveler placing no value on time.



carrier depends on the traveler's perception of operating costs and his desired comfort. If he recognizes only out-of-pocket auto costs and accepts austere lodging and meals, he finds the auto the lowest-priced intercity travel mode in trips up to about 750 miles long.

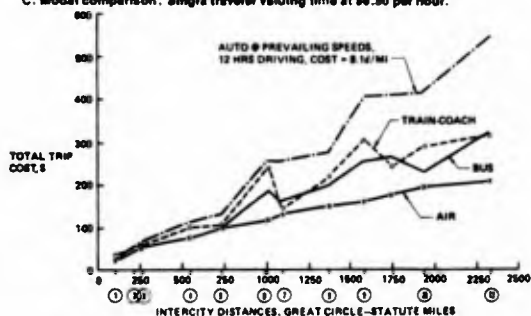
In many cases, both trip time and cost affect a traveler's selection of mode. One technique for combining the two considerations assigns a monetary value to time. Our study took \$6.50 per hour for the first 8 hr of each 24-hr period (F-27C) (\$52 per day or

\$13,500 annually). Case 3 automobile costs are not shown in F-27C reflecting the assumption that the driver who sacrifices comfort for cost would probably not place a monetary value on his time.

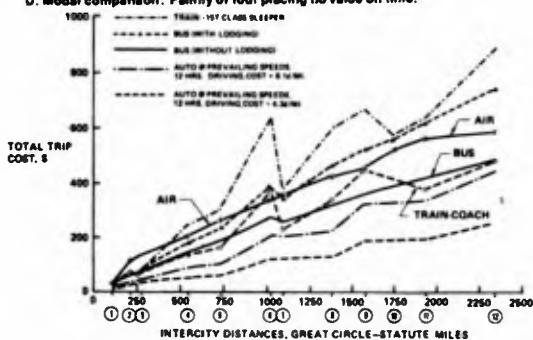
For the single traveler who places a monetary value on time (F-27C), air becomes the most attractive mode throughout the trip-length spectrum. Applying a value on time is probably most appropriate for business travelers. However, considerable evidence exists that other types of travelers also tend to select a faster mode in proportion to

F-27 TRIP-COST COMPARISONS (continued from previous page)

C. Modal comparison: Single traveler valuing time at \$6.50 per hour.



D. Modal comparison: Family of four placing no value on time.



their income, even for pleasure and vacation travel.

F-27D illustrates the modal relationships for travel by a family of four under a variety of assumptions. The comparisons place no monetary value on time. For low cost, the auto clearly prevails over all ranges, the advantage being substantial if the family considers only out-of-pocket costs. Coach-class train travel and travel by bus without overnight lodging are approximately equal except where significant differences in circuitry occur. Air costs are highest for families desiring austere intercity travel.

If the family desires a comfort more nearly comparable to air travel, however, different assumptions must be used to describe the ground modes. Train trips would include first-class sleeper accommodations, bus trips would be interrupted by overnight stops to provide sleeping accommodations, and Case 2 would best describe auto travel. Under these circumstances, the auto still delivers the lowest-cost trip at all ranges. Among the common carriers, buses appear preferable at intercity distances less than 800 mi., with air becoming most attractive at distances exceeding 1200 mi.

Although not shown here, inclusion of the \$6.50 value of time has two principal effects. First, it reduces substantially the difference between auto and air; and second, among the common carriers, it extends air attractiveness to as low as 500 mi.

Concluding Remarks

The recent surge in energy conservation, transportation planning, and

F-28 TRANSPORTATION PLANNING FACETS



transportation policy development motivates the wide interest in travel behavior. To evaluate transportation alternatives, the planner needs, we believe, an understanding of the four modes and this has proven hard to come by. Our study advances what we believe to be a common starting point for comparisons.

It is based on the premise than an understanding of the modes at a specific moment in time would help to establish methods of comparison which could be adapted to comparative evaluations of future transportation alternatives. Admittedly, we have treated only a limited number of transportation facets. F-28 pictures the many facets that should be considered in transportation planning, if not at equal weighting.

As to the larger and commanding problem of matching the modes to the nation's transportation needs, the planner must consider such factors as potential for improvements, financial and resource requirements, operating and maintenance requirements, and the environment. He must ensure that each mode is a system by itself, yet integrated with the others. Moreover, he must permit each mode the maximum opportunity to improve its efficiency. Then efficiency and service will more deterministically describe each mode's share of the future transportation market.

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July/August 1975

Mr. ROONEY. Thank you, Mr. Webb.

Mr. Currey.

Mr. CURREY. Mr. Chairman, my name is Fred Currey. I am chairman of the Board of Continental Trailways, the Nation's second largest intercity bus company. We are licensed to provide regular route, charter, and express service in 42 States. Our company serves 13,000 communities and in 1975 we transported more than 23 million passengers.

I would request the Chairman to include in the record the study "Amtrak, Yesterday, Today, and Tomorrow," that was prepared under the sponsorship of Continental Trailways and Eastern Airlines.

Mr. ROONEY. I want to commend you for it, because it is very interesting.

Mr. CURREY. Thank you, sir.

STATEMENT OF FRED CURREY

Mr. CURREY. I would like to make a few informal remarks with respect to a number of graphs that are in the study [see "Amtrak, Yesterday, Today, and Tomorrow" p. 146], but before doing so, I would like to make it clear that our position is not to argue the merits or the relative merits of bus and rail service.

I am here personally because I have a deep belief that businessmen who specialize in certain areas of commerce in this country owe it to themselves, the country, and the Congress to communicate freely and openly with respect to their particular area of expertise and in doing so, this study is a part of our effort.

I will turn to the graphs. The first graph I would like to focus on is one that shows that the Amtrak system deficits in fiscal 1975 reached \$20 per passenger. Consistently throughout, each graph clearly shows operating deficits that are offset by subsidies, not capital deficits. That is consistent throughout the entire presentation. So when you see red it is an operating deficit that is offset by subsidy.

This particular graph, I think, is important because it shows the increase in the amount of deficit from 1972, when it was roughly \$9 per passenger, to the \$20 level.

I think it is also important to note that the level of fares charged to the passenger back in 1972 was roughly equal to the deficit that is covered by the taxpayer, whereas in 1975, the amount of the deficit covered by the taxpayer was in excess of the revenue or the fares charged to the passenger.

The other way of making the same statement is that payments by taxpayers far exceeded the fares paid by Amtrak riders. Here we have used some particular Amtrak routes as examples. On the Chicago-Dubuque route, the fare is \$9.75 and the deficit covered by the taxpayer is \$48.77. On the Chicago-Miami route, you have a taxpayer deficit of \$338 for each passenger traveling on that route and you have the fare-paying passenger paying \$74, the total cost obviously being the sum of the \$74 and the \$338—the red in the chart consistently being the cost paid by the taxpayer, and the black in the charts consistently being the amount paid by the fare-paying passenger.

I think the important thing to note here is that for every dollar the passenger pays in this Chicago to Dubuque run, the taxpayer pays \$5. For every dollar paid by the fare passenger in the Florida-Chicago route, the taxpayer pay \$4.57.

Mr. ROONEY. Who has the San Francisco-Bakersfield route?

Mr. CURREY. I will be able to show you in just a couple of minutes the San Francisco-Bakersfield, if I may hold that question for a moment.

Mr. ROONEY. Yes.

Mr. CURREY. Amtrak—well, incidentally, all of the data presented herein about Amtrak is based on Amtrak's own public disclosures. These are Amtrak's figures, not our figures.

They represent operating costs and the Amtrak system divides typically their route segments into short-haul route segments, long-haul route segments, and the Northeast Corridor.

Amtrak's short-haul routes are its biggest losers. We are categorizing the losses here in cents per revenue-passenger mile, 1 passenger traveling 1 mile. The loss in the short haul routes is in excess of 14½ cents and the loss in the long-haul routes is around 8 cents per revenue-passenger mile, and, incidentally, these long-haul routes together constitute approximately 60 percent of Amtrak's total overall cash loss. The loss in the Northeast Corridor is approximately 6 cents per revenue-passenger mile.

But I think it is important to note that that loss has quadrupled from 1½ cents in Fiscal Year 1973 to slightly above 6 cents in Fiscal 1975.

Now, you asked about the San Francisco-Bakersfield route, and it is fact that there are no Amtrak routes that are immune from heavy losses.

Now, this chart shows the total cost in the column where you see the red in, providing 100 passenger miles on each of Amtrak's routes. You don't see the intermediate points, Mr. Chairman, from Chicago to Los Angeles, but Chicago to Los Angeles is a particular route of Amtrak's.

Now, we are presenting this chart because you may wonder, looking here, what constitutes each of these and this is, in fact, what constitutes those total figures that are made up there.

For San Francisco-Bakersfield, by way of further explanation of this chart, the total cost for each 100 passenger miles, San Francisco to Bakersfield, is \$44. The amount of that total cost that is paid by ticket-paying passengers is \$6. So for every 100 passenger miles you have a \$38 deficit that is made up by the taxpayer. Have I answered your question?

Mr. ROONEY. Yes.

Mr. CURREY. That is the record of San Francisco-Bakersfield for the fiscal year 1975.

I move to the Northeast Corridor and allow me one additional example, because I think it speaks to a major issue that is frequently being obscured. In the New York-Philadelphia corridor, the total cost is \$13.70 for every 100 passenger miles. The fare paid toward that cost has been \$4.75, but that \$4.75 is now out of date because Amtrak has cut fares 25 percent, so that the \$4.75 figure shown will

be 25 percent less than that for fiscal 1976 and the deficit, of course, will be commensurately larger.

I mention that, because that is a route where Greyhound and Trailways are in direct competition with Amtrak, but it is difficult for us in the environment in which we operate to function with that type of competition.

When one is involved in a losing business operation, a critical factor is, "Can it break even?" And I have been involved in some losing operations. Amtrak essentially can not break even at maximum load factors.

The maximum attainable load factor on a year-round basis is about 70 to 75 percent. This is because traffic, for example, goes predominantly to Florida at one time and returns predominantly from Florida at one time. So the theoretical maximum you can operate a transportation system is 70 or 75 percent, and I think that is also pointed out by Greyhound.

So if you used this as the base, you can see that on the system as a whole it is absolutely inconceivable for Amtrak to ever break even, because the break-even factor is just far above the theoretically possible.

The same is true on the long haul, the short haul, in the Northeast Corridor. It is just about theoretically impossible that Amtrak will break even.

Now, in preparing this analysis from Amtrak's figures, we have not accrued any incremental additional costs for either attracting or servicing the passengers, and I think all of the transportation people here will assure you that, when you attract additional passengers, there are in fact incremental costs. So we looked at it on a very conservative basis and if it were looked at on a more objective basis, those break-even factors would be off the chart.

Now, another critical factor that I think was suggested here earlier is that Congress, in fact the Government, is dependent on Amtrak's estimates to make public policy, to make a rational transportation policy for the entire industry, both surface and air transportation industry. I think it is important that we understand that Amtrak's projection versus the actual deficits have widened from 1973, with a 14 percent error, to 1975 when the error was 32 percent. I can assure you the margin of error allowed me by our directors is a whole lot less than 14 percent.

In viewing the critical issue of public convenience and necessity, and I quite agree with the earlier remarks made that economics is not the whole story, we are in the public convenience and necessity business. We are a public service corporation and we have a keen recognition of that fact.

Now, viewing the public convenience and necessity issue. I think it is important to understand the intercity motorbus industry serves 15,000 cities and towns across the United States. I think it is important to understand there are approximately 485 airports that are served by the airline industry, and I think it is important to understand that there are 444 cities that are served by Amtrak, those appearing on this chart, plus obviously the connecting routes.

Now, with respect to public convenience and necessity, and with respect to a rational transportation policy, I would emphasize two

factors. First, each city served by Amtrak is served by the intercity motor bus industry. Most cities served by Amtrak are served by the airline industry.

Second, the very critical public convenience and necessity issue is "frequency of service". Each city served by Amtrak is served more frequently by the intercity bus industry and airlines combined than served by Amtrak.

Now, there is a critical factor here that is sometimes obscured. That is, the mobility of the American people. Ridership on Amtrak cannot increase without massive increases in frequency of service. But to provide those increases in frequency of service efficiently, one simply cannot do so with the bulk that is constituted by a train and that is the strength within the transportation modes of the intercity motor bus, because we can have one vehicle with a cost of \$85,000 to \$90,000 operated by one man that is, in fact, the most efficient, measured in terms of fuel or emissions, or out-of-pocket dollars, in providing America with mobility. The public convenience and necessity business is the one we are in.

Pointing to the public convenience and necessity, of all passenger traffic carried by commercial carriers, Amtrak is carrying approximately 5 percent of the passengers carried.

So here is public convenience being served. Our absolute costs are critical in analysis of where each of three primary modes, and the automobile, I might add, fits into the transportation complex.

We think it is interesting to view the difference in the total operating expenses measured to view the difference in the total operating expenses measured in terms of cents per passenger-mile by Amtrak as opposed to the bus industry, roughly related across this line [pointing] and compared to the airline industry, roughly across this line.

The airline industry actually has lower operating costs per revenue passenger-mile than does Amtrak.

In fiscal 1975 Amtrak went to about 14½, 14.8 cents per revenue passenger-mile total operating expenses and the bus industry was up about 10 percent and the airline industry it is my understanding was up 12 percent.

Another real factor that one sees from this graph, and I am sorry the other folks can not see it, but it is that you see a steady business-man effort to offset costs with revenue and the same in the airline industry.

You see no such policy with respect to Amtrak. You see almost schizophrenic behavior with respect to deficits and the fares paid by the passengers.

Here you see the rate charged the passenger from 5.5 cents a mile up to 6.3, but total operating costs going from 10.1 cents a mile to 14.5 cents a mile.

This kind of behavior in the marketplace causes all kinds of misallocation of resources.

Two other factors that have been mentioned, and Mr. Webb mentioned them, that are interwoven with public convenience and necessity, are full efficiency and the environmental considerations that are necessary to be considered in the transportation policy.

What this graph depicts is fuel efficiency which is typically measured in the transportation industry by passenger-statute miles per gallon of fuel.

Now, fuel efficiency is not a mystery in the transportation business. It is an index of the type of vehicle, the occupancy in the vehicle, the circuitry of the vehicle, what route it takes getting from origination to destination, and the speed of the vehicle and the length of trips. It is not a mystery and can actually be calculated.

We have simply shown the relative fuel efficiency of trains versus the intercity motor bus on the chart and I think all of these factors apply equally well to the intercity automobile.

I think it is well to recognize that the intercity automobile is nearly as efficient as trains down in the lower load factor ranges.

One might say, "What about improved technology, higher density ceilings, lower cars, higher speeds?" And the Boeing study, which Mr. Webb referred to, addresses that issue and the improved fuel efficiency of trains is only marginal under those circumstances. That study undertakes an analysis of the Tokyo to Osaka train and the fuel efficiency of that train, which I think is a model of rail efficiency across the country.

Speed and type of vehicle are critical. There is in every transportation system a mass to be moved and there is a question of how fast you can move that mass and the best example I can give is the Concorde.

We all know in terms of fuel efficiency what the Concorde's additional speed costs. The curve goes down drastically as the speed goes up. That same factor is true of trains and the same factor is true of intercity motorbuses.

It is not feasible to operate a motorbus at 110 miles an hour, because it doubles the maximum rate. That is technologically feasible, but the cost curve would go through the roof if we attempted to do so.

So there are various tradeoffs that must be made.

Finally, one chart on the pollution and we thought the clearest way to present the pollution issue was amount of pounds of emittants in given trip lengths.

For instance, Atlantic to Los Angeles for every revenue passenger carried, the amount of pollutants are 6.95 pounds of nitrogen oxide, more than all three of the other modes combined. We think it is important that these facts be brought to light.

In concluding, allow me to say that we are available night and day to talk about the transportation industry. We believe that there can and must be a rational transportation policy, but we believe that policy must take into account the apparent advantages and disadvantages of each mode and we think that those inherent advantages and disadvantages have got to be looked at objectively, meaning public convenience and necessity, economics, fuel efficiency, and the environmental issues.

Thank you, Mr. Chairman.

[The study referred to follows:]



**AMTRAK
YESTERDAY,
TODAY
AND
TOMORROW**

SPONSORED BY CONTINENTAL TRAILWAYS, INC.
AND EASTERN AIRLINES, INC.

This study has been prepared under the sponsorship of Continental Trailways, Inc. by independent transportation economists and consultants. The source materials were not prepared for this study. They were comprised of government statistical abstracts, generally available to the public. In addition, certain transportation authorities and Amtrak itself were relied upon for basic data. Views expressed herein are those of the sponsors except where otherwise indicated.

AMTRAK - YESTERDAY, TODAY AND TOMORROWTABLE OF CONTENTS

	<u>Page</u>
PREFACE	i
I. INTRODUCTION	1
A. NATIONAL RAIL PASSENGER SERVICE ACT OF 1970	1
B. AMTRAK IMPROVEMENT ACT OF 1975	2
C. THE NEED FOR OPERATING CRITERIA CONSISTENT WITH A RATIONAL TRANS- PORTATION POLICY	6
1. The Cornerstones of a Rail Passenger Policy	6
2. The Cost/Benefit Ratio	6
3. Establishment of Sound Subsidy Controls	7
II. AMTRAK HAS NEITHER SIGNIFICANTLY MODERNIZED INTERCITY SERVICE NOR DEVELOPED AN EFFICIENT, INTEGRATED NATIONAL RAIL PASSENGER SYSTEM	10
III. AMTRAK HAS OPERATED AT CONSISTENT, ACCELERATING LOSSES AND IS COMMITTED TO DO SO IN THE FUTURE	12
A. AMTRAK'S ECONOMIC HISTORY	12
1. System Results	12
2. Functional Distribution of Losses	13
3. Geographic Distribution of Losses	13
B. AMTRAK IS ECONOMICALLY PREDES- TINED TO SUFFER CONTINUING AND WIDENING LOSSES	14
C. AMTRAK'S FORECAST OF ITS SUBSIDY REQUIREMENTS IS UNRELIABLE AND UNDERSTATED	16

TABLE OF CONTENTS (Cont'd)

	<u>Page</u>
1. Amtrak's Five-Year Forecast is Inherently Defective	17
2. Amtrak's Reliance Upon the "Discouragement" Theory Is Misplaced	18
IV. THE PUBLIC CONVENIENCE AND NECESSITY ARE NOT ENHANCED BUT DISRUPTED BY AMTRAK'S ACTIVITIES	23
A. ALTERNATIVE MODES ARE FAR MORE RESPONSIVE TO PUBLIC DEMAND THAN AMTRAK	23
B. AMTRAK RAIL SERVICE IS AN UNECONOMIC METHOD OF TRANSPORTING PASSENGERS AND AN IMPROVIDENT ALLOCATION OF GOVERNMENT SUBSIDY	25
C. THE CHICAGO-FLINT EXPERIENCE ILLUSTRATES THE IMPACT OF AMTRAK'S PASSENGER RAIL OPERATIONS UPON UN- SUBSIDIZED INTERSTATE BUS SERVICE	28
D. AMTRAK'S RELATIVELY INEFFICIENT UTILIZATION OF FUEL AND RELATIVELY HIGH POLLUTION EMISSION MILITATES AGAINST THE PUBLIC CONVENIENCE AND NECESSITY	29
1. Fuel Efficiency	29
2. Pollution Emissions	30
V. CONCLUSION	32

AMTRAK - YESTERDAY, TODAY AND TOMORROWPREFACE

This monograph is prompted by the Amtrak Improvement Act of 1975. There, Congress expressed the necessity for establishment of criteria to guide Amtrak in the performance of its responsibilities in operating a national passenger rail system in the public interest.

This is an appropriate time to evaluate Amtrak's performance utilizing the same criteria which Amtrak has chosen as overall policy guidelines to govern its future activity.

This monograph is organized both chronologically and functionally. It contains the history of Amtrak from its inception to the present as well as a prognosis for the future.

AMTRAK - YESTERDAY, TODAY AND TOMORROW

I. INTRODUCTION

A. NATIONAL RAIL PASSENGER SERVICE ACT OF 1970^{1/}

Amtrak has not approached, much less achieved, the purposes that prompted its establishment. Congress defined these purposes in 1970 (P. L. 91-518) as follows:^{2/}

- (1) The provision of modern, efficient intercity rail passenger service;
- (2) Development and maintenance of an integrated national rail passenger system;
- (3) The efficient operation of such system on a for-profit basis;
- (4) The conservation of energy, preservation of the environment and reduction of traffic congestion; and
- (5) Maximization of service for public convenience and necessity.

Amtrak's record between 1970 and 1975 has been as follows:

- (1) Intercity rail passenger service is neither modern nor efficient;
- (2) An integrated national rail passenger system has neither been developed nor maintained;
- (3) The rail passenger system has operated at monumental and ever-increasing loss rates;
- (4) The rail passenger system has been: (a) an excessive consumer of energy relative to other transportation modes, (b) the highest environmental polluter per passenger of all modes of transportation, (c) unable to reduce traffic congestion; and
- (5) Rail passenger service, on balance, has not served the overall public convenience and necessity.

^{1/} 45 U.S.C. §§501 et seq.

^{2/} See The Criteria and Procedures for Making Route and Service Decisions, submitted by the Board of Directors of the National Railroad Passenger Corporation in compliance with P. L. 94-25, October 29, 1975, pages 1-5. This Congressional mandated report will be cited hereinafter as "Monograph".

Experience has demonstrated that Congress' objectives have not been achieved. However, this experience has not prompted abandonment of the Amtrak experiment. Rather, Congress has tentatively embarked upon a course designed to control Amtrak's future activities. Thus, the Amtrak Improvement Act of 1975 (P.L. 94-25)^{3/} directed the Corporation to develop criteria for routes and services to be operated under its aegis.^{4/}

B. AMTRAK IMPROVEMENT ACT OF 1975

Initially, Amtrak sought criteria congruent with its evaluation of the Corporation's fundamental missions.^{5/} However, the Board of Directors concluded that two of these missions were fundamentally incompatible: Operation of routes and schedules "...on a for-profit basis," and the provision of an "...integrated nationwide service."^{6/} This perceived conflict stemmed from Amtrak's juxtaposition of: (1) the fact that its routes had incurred substantial losses throughout its operating history,^{7/} and (2) the wholly unsupported assertion that loss routes must

^{3/} 45 U.S.C. §§501 et seq.

^{4/} Significantly this legislation did not define how, or by whom, these criteria were to be administered. Amtrak infers, with appropriate justification, that its Board of Directors and management would supervise the decisional process. See Monograph, pages 1-4, 3-1, et seq.

^{5/} Id. at ii.

^{6/} Ibid.

^{7/} Amtrak appears to believe that such losses are anticipated to continue into the foreseeable future.

- 3 -

be maintained in perpetuity to preserve an integrated national system. To impress the imprimatur of legitimacy upon this non sequitur, Amtrak characterizes Congress' acquiescence to date in funding Amtrak's losses as a firm endorsement of its activities.^{8/}

In any event, Amtrak rejects all criteria which would weigh the subsidy required to support a given route or service against the public need for that route or service. Not content with neutralization of this quantitative yardstick, Amtrak repeats the process with respect to each criterion it offers for consideration.

The broad categories espoused by Amtrak for evaluating service or route changes are: (a) economic, (b) social, and (c) environmental.^{9/} These are in turn divided into their respective components.

<u>Categories</u>	<u>Components</u>
(a) Economic	<ol style="list-style-type: none"> 1. Financial contribution per revenue passenger mile. 2. Total financial contribution of route or service to Amtrak's overall financial performance. 3. Financial impact of route or service on other parts of system. 4. Incremental capital requirement. 5. Percentage return on incremental capital investment.

^{8/} Id. at iii.

^{9/} Amtrak: The Criteria and Procedures for Making Route and Service Decisions, September 23, 1975, pp. iii-iv.

(b) Social

1. Impact upon population measured by:
 - a. Population accessible to route or service.
 - b. Number of persons who would ride or have ridden service within the year.
 - c. Population to be deprived of all rail service (in the case of a discontinuance) or that which would receive service (in the case of an addition).
2. Availability of alternate transportation to accommodate passengers not provided with rail service and therefore whether traffic might be diverted, thereby relieving traffic congestion and/or impacting adversely on other modes of transportation.
3. Increase or decrease in deaths or injuries flowing from a route or service decision.

(c) Environmental

1. Impact upon energy consumption if actual or potential Amtrak riders employ alternate transportation modes.
2. Impact upon pollution emission if actual or potential Amtrak riders employ alternate transportation modes.
3. Land removed from or released to alternative use by routes or service changes.

Unfortunately, this catalogue is no guide for action. It does not contribute to objective evaluation of Amtrak because no relative weight is accorded any of the listed considerations. Consequently, decisions are inevitably reduced to the subjective inclinations of the decision-maker. Amtrak's subjective inclinations are not cryptic or vague:

"Its orientation will be toward exhausting all means of improving a route or service before deciding on a discontinuance or service reduction." 11/

Elimination of unprofitable routes and services would as a rule not be undertaken by Amtrak because: "Such actions...clearly would conflict with the development of an integrated arterial system...".12/ Essentially, Amtrak proposes a single criterion to govern its decisions -- maintenance and expansion of passenger rail service at any price. In short, it does not intend to implement the objectives of Section 101 of the National Rail Passenger Service Act of 1970, supra, nor to establish the objective criteria sought by the Amtrak Improvement Act of 1975, supra.

11/ Amtrak: The Criteria and Procedures for Making Route and Service Decisions, September 23, 1975, Ex. 2; Monograph, p. 3-8.

12/ Id. at p. lii.

C. **THE NEED FOR OPERATING CRITERIA CONSISTENT WITH A RATIONAL TRANSPORTATION POLICY**

1. **The Cornerstones of a Rail Passenger Policy**

Although Amtrak has not appropriately responded to the Congressional imperatives in the Amtrak Improvement Act of 1975, the need for a program incorporating meaningful criteria still exists. Indeed, the urgency is even greater now in the face of Amtrak's unanticipated \$313,000,000 deficit during fiscal 1975. Such criteria should be grounded upon transportation fundamentals which recognize the following:

- (1) Each mode of transportation has inherent advantages and disadvantages and none is capable of satisfying all transportation preferences of the public;
- (2) The marketplace's judgment is the most objective determinant of the relative economic advantages or disadvantages of a given mode of transportation; that judgment is reflected in the public's willingness to pay for a given service at rates which cover the cost of providing such service;
- (3) A quantitative measure is the only appropriate criterion for evaluating a mode's environmental impact and fuel efficiency; and
- (4) Government subsidy should not become a permanent fixture of our transportation system and in no event should be employed to sustain inefficient modes.

2. **The Cost/Benefit Ratio**

Establishment of criteria requires identification of the principal societal costs and benefits of passenger rail transportation relative to other modes. The costs of Amtrak are as follows:

- (1) Relatively greater fuel consumption per passenger transported;
- (2) Relatively greater air pollution per passenger transported;
- (3) Subsidy per passenger transported of unprecedented magnitude and unpredictable duration; and
- (4) Adverse competitive impact upon competing transportation modes.

The benefits of rail passenger transportation are extremely limited in absolute as well as relative terms. Passenger rail transportation is only one among alternative common carrier services available to the American public. Every rail route is served by intercity buses; many also receive frequent, high-speed air service. Moreover, where passenger rail service is available, its frequency is relatively limited. This infrequent schedule pattern is not a function of physical limitations but, rather, of the absence of public demand for more frequent service. To be sure, availability of rail passenger service affords the travelling public another option. But the price of that option is exorbitant when measured against its cost in terms of subsidy, environmental impact, fuel consumption and injury to privately maintained competing modes.

3. Establishment of Sound Subsidy Controls

The Secretary of Transportation recognizes that a ceiling must be imposed and maintained upon the amount of government subsidy allocated to Amtrak. In this context the Secretary stated:

- 8 -

"... the continuing development and utilization of such [route and service] criteria must be subject to the overriding objective that intercity rail passenger services . . . be provided within the annual Federal support ceilings set forth for Amtrak in its multi-year Congressional authorization.

* * *

"As a result of its review of Amtrak's criteria, it is the belief of the Department that the economic criteria are the starting point in the analysis of routes and services... Our recommendation for this application of the criteria does not arise out of any inherent inequality between the economic and the social/environmental criteria, but rather out of the recognition that, outside of the Northeast Corridor, intercity rail passenger service carries only one-half of one percent of all intercity person trips. Hence, the annual cost to the general taxpayer must be the baseline upon which the social and environmental benefits of given routes and services are analyzed." 13/

DOT's approach is salutary because it addresses the appropriate priorities.

However, its utility is minimal because the Department fails to articulate

(1) whether the national interest is indeed served by the interminable subsidizing of passenger rail service, or (2) at what levels subsidy should be provided during the period of government support. We propose to treat these issues.

Subsidy should be phased down over a period of years. During fiscal 1977 Amtrak subsidy should be no greater than 50% of its operating cost -- the other 50% of the operating cost should be covered by revenues collected from Amtrak users. This initial standard is suggested because

13/ Monograph, pp. G-10, G-11-12.

- 9 -

it is inequitable for the taxpayer to contribute at any time larger sums to Amtrak's support than does the user of its services. During subsequent fiscal years the percentage contribution by the taxpayer should be reduced to assure a positive incentive for greater efficiency by Amtrak in performance of its responsibilities. A reasonable "step down" approach would appear to be as follows:

<u>Fiscal Years</u>	<u>Subsidy Ceiling As Percentage of Amtrak's Operating Cost</u>
1977	50
1978	40
1979	25
1980	15

By fiscal 1980 Congress will have had eight years of Amtrak experience. At that juncture it should be in a position to determine whether or not Amtrak should be self-sustaining.

Irrespective of the decision on the ultimate issue, Amtrak should not be allocated subsidy after fiscal 1979 at levels exceeding the average subsidy per passenger mile paid to airlines. This is the maximum passenger rail subsidy that could be justified at that time. Such a conclusion is unavoidable: sound subsidy administration requires that maximum public benefits be obtained in each instance where subsidy support is required. Hence, if after a reasonable period of experimentation it can be demonstrated that airlines operate at less subsidy per passenger mile than Amtrak, Congress must consider whether the airlines should receive a greater and Amtrak a smaller share of available funds.

- 10 -

II. AMTRAK HAS NEITHER SIGNIFICANTLY MODERNIZED INTERCITY SERVICE NOR DEVELOPED AN EFFICIENT, INTEGRATED NATIONAL RAIL PASSENGER SYSTEM

With the notable exception of the Metroliner in the Northeast Corridor, ^{14/} Amtrak's modernization of rail passenger service has been less than dramatic. It began operations by reducing the number of intercity trains from 290 to 192. This reduction was accompanied by a 51% slash in route mileage and a 57% cut-back in train miles operated.

	<u>April 30, 1971</u> ^{15/}	<u>October 31, 1971</u> ^{15/}	<u>Percent Change</u>
Train Miles/Day			
Northeast Corridor (NEC)	16,231	16,453	+ 1
Other than NEC	<u>147,548</u>	<u>57,481</u>	<u>-63</u>
TOTAL	163,779	73,934	-57
Number of Trains/Day	290	192	-34
Route Miles	49,533	24,379	-51

SOURCE: U.S. Department of Transportation, Status of Intercity Railroad Passenger Service (Washington, D. C.: U.S. Department of Transportation, November 1971), p. 20.

During the fuel crisis in 1974 Amtrak did experience a significant increase in traffic. However, this increase was clearly not due to modernization or improvement of rail service. ^{16/} This is demonstrated

^{14/} The Boston-Chicago and Washington-Denver services instituted several months ago are so recent that conclusions cannot be drawn therefrom.

^{15/} Before and after establishment of Amtrak.

^{16/} Amtrak and the House Committee on Interstate and Foreign Commerce were apparently misled by the 1974 experience. "While the energy crisis of 1974 accounted for much of this increase in passengers, Amtrak expects to carry even more passengers in 1975, and it appears as if the passenger train revival which it started in 1971 is here to stay." H.R. 94-119, p. 5; U.S. Code Cong. and Ad News (94 Cong., 1st Sess.), p. 601.

- 11 -

by statistics for the first half of 1975 which reveal that Amtrak's patronage declined by 1,300,000 passengers from the same period of 1974. ^{17/}

Amtrak has not demonstrated that its creation and continued operation has fostered an integrated national rail passenger system. The quality of connecting rail service is not measurably superior to that which prevailed prior to Amtrak. No evidence of economic, social or environmental synergism has surfaced. Consequently, at this point the first two Congressional objectives in Section 101 of the National Rail Passenger Service Act of 1970 lie no closer to achievement than when they were adopted.

^{17/} January-June 1974: 9,120,755 passengers; January-June, 1975: 7,851,096 passengers. Source: Amtrak Company Records.

III. AMTRAK HAS OPERATED AT CONSISTENT, ACCELERATING LOSSES AND IS COMMITTED TO DO SO IN THE FUTURE

A. AMTRAK'S ECONOMIC HISTORY

1. System Results

Since inauguration of service in 1971 Amtrak has never been profitable although in 1970 its progenitors predicted break-even operations in two to three years. The four year experience is as follows:

<u>Fiscal Year</u>	<u>System Loss</u>	<u>Accumulated Loss</u>
1972	\$153,500,000	\$153,500,000
1973	141,800,000	295,300,000
1974	197,900,000	493,200,000
1975	313,300,000	806,500,000 ^{18/}

During the same period losses rose from 5.4 cents per passenger mile to over 8 cents (Figure 1). The deficit per passenger rose from \$9 to \$20 (Figure 2).

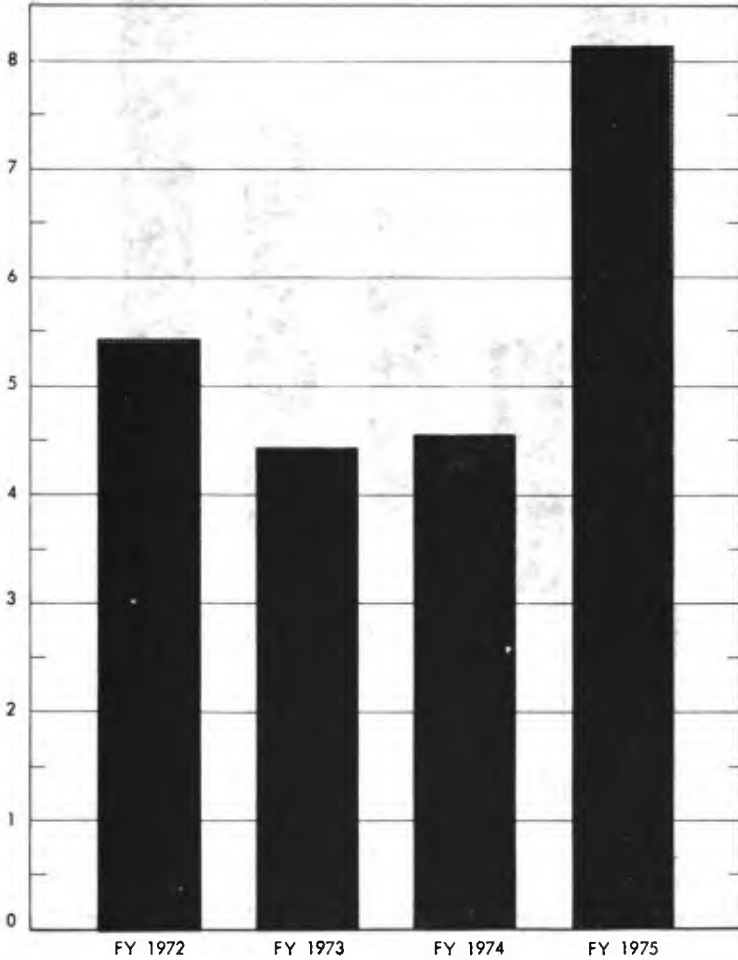
These losses have created striking imbalances in the distribution of operating costs between passenger and taxpayer. On major routes taxpayers may contribute up to \$264 more per ticket than the passenger utilizing the service (Figure 3). The taxpayer's cost on these segments ranges between \$4 and \$6 for every \$1 of passenger cost (Figure 4). Obviously such inequities are totally adverse to the public interest.

^{18/} Since 1970, Congress has authorized \$1.692 billion in government grants and \$900 million in loan guarantees.

Figure 1

**AMTRAK'S LOSS PER PASSENGER MILE INCREASED
81% IN THE PAST YEAR****Amtrak System Losses per Revenue Mile, FY 1972 - FY 1975**

Loss in cents per passenger mile

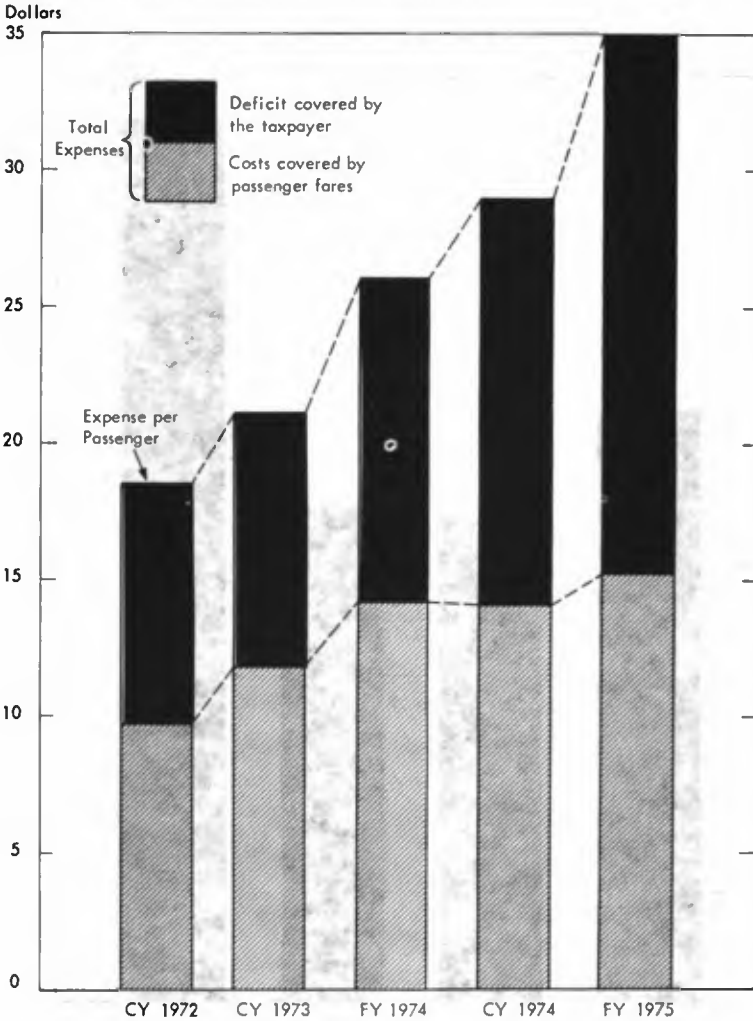


Source: Appendix A

Figure 2

AMTRAK SYSTEM DEFICITS IN FISCAL 1975 REACHED \$20 PER PASSENGER

Amtrak System Revenue, Expense and Loss per Passenger, CY 1972 - CY 1974 and CY 1975

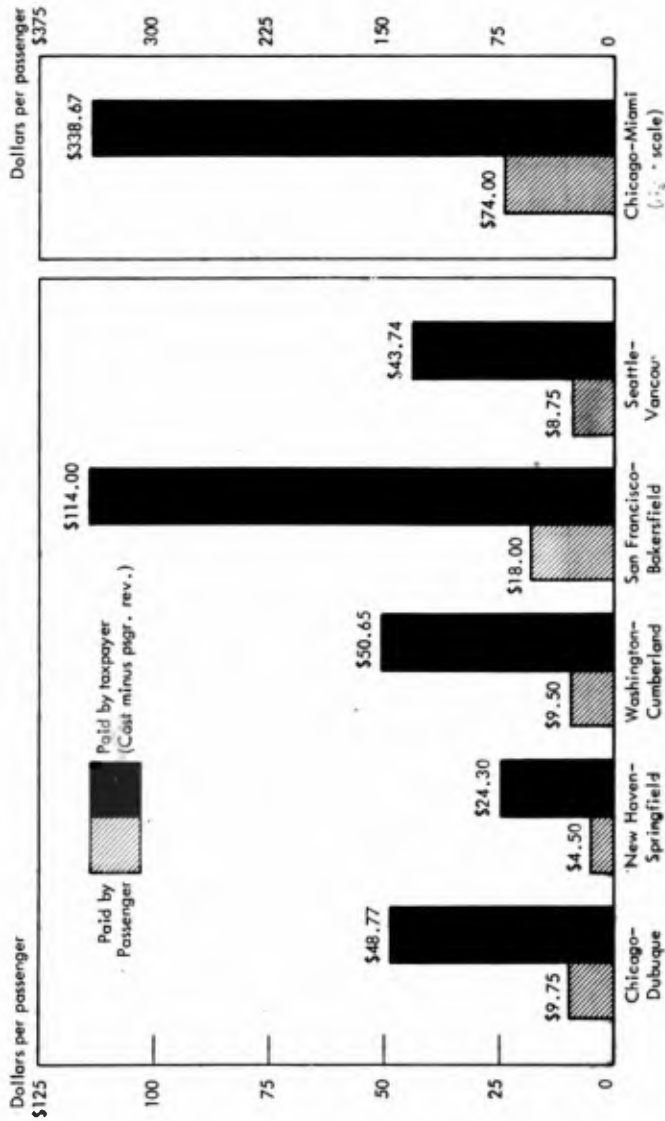


Source: Appendix B

Figure 3

PAYMENTS BY TAXPAYERS FAR EXCEED THE FARES CHARGED AMTRAK RIDERS

Amtrak Revenues and Deficits per Passenger in Selected City Pair Markets —
Payments by Passengers vs. U.S. Taxpayer



Source: N.R.P.C. Five Year Plan, August 1975, (with corporate overhead and interest allocated to individual routes.) Basis: F.Y. 1975; Appendix C.

THE U.S. TAXPAYER PAYS \$4 TO \$6 FOR EVERY DOLLAR PAID BY AMTRAK RIDERS ON SOME PRINCIPAL ROUTES

Average Passenger Revenue vs. the Taxpayer's Coverage of the Loss on Specified Routes,
FY 1975

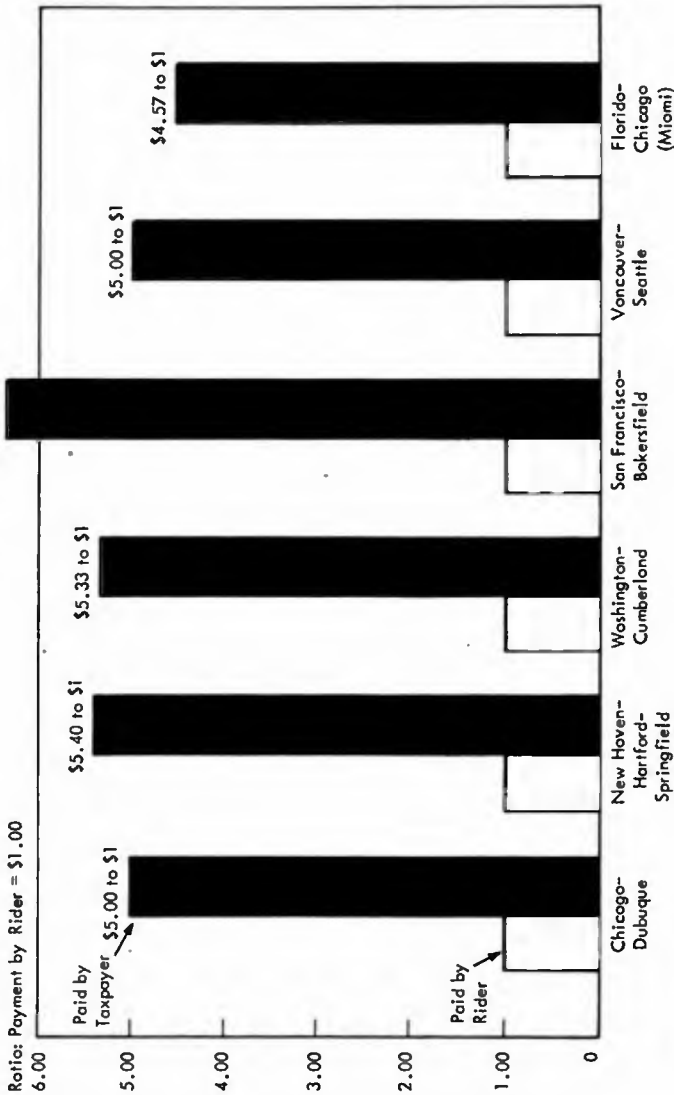


Figure 4

Source: Appendix C, Col. 3.

2. Functional Distribution of Losses

Particularly significant is the fact that Amtrak's losses over developed routes are much higher than over newly inaugurated routes (Figure 5). In absolute terms, the former have been increasing much more steeply and rapidly than the latter. This phenomenon is contrary to normal expectations and suggests that careful examination of the need for many existing services is indicated.

3. Geographic Distribution of Losses

All Amtrak sectors^{19/} incur substantial deficits; the trend is worsening (Figure 6). Short haul routes are the most uneconomic, losing 14.5 cents per revenue passenger mile [rpm] in fiscal 1975. But the rate of loss acceleration is highest for the Northeast Corridor where deficits per rpm have quadrupled since fiscal 1973. Long haul routes offer little encouragement; they account for almost 60% of Amtrak's current losses.^{20/} Moreover, passenger rail service is intrinsically less competitive over long stage lengths and, accordingly, offers the lowest growth potential.

Congress has only been accorded Amtrak's system and sector analysis and, consequently, it has been obliged to rely upon that analysis as the sole basis for ascertaining the Corporation's existing and projected economic condition. Here, Congress is presented with an independent analysis, which is not confined to system or sector results. This study

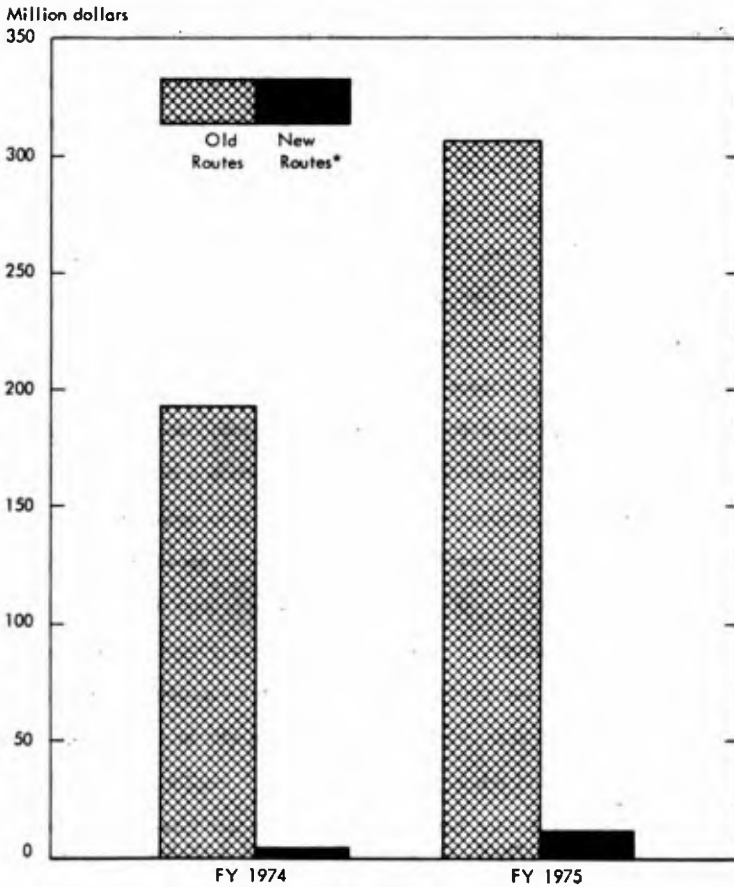
^{19/} Amtrak has divided its domestic route system into three groupings: the Northeast Corridor, Long haul routes, and Short haul routes.

^{20/} See Appendix A-1.

Figure 5

**AMTRAK'S GROWING LOSSES
ARE PRINCIPALLY ATTRIBUTABLE TO ITS OLD ROUTES**

Amtrak Losses on Old Routes vs. New Routes, FY 1974 and FY 1975

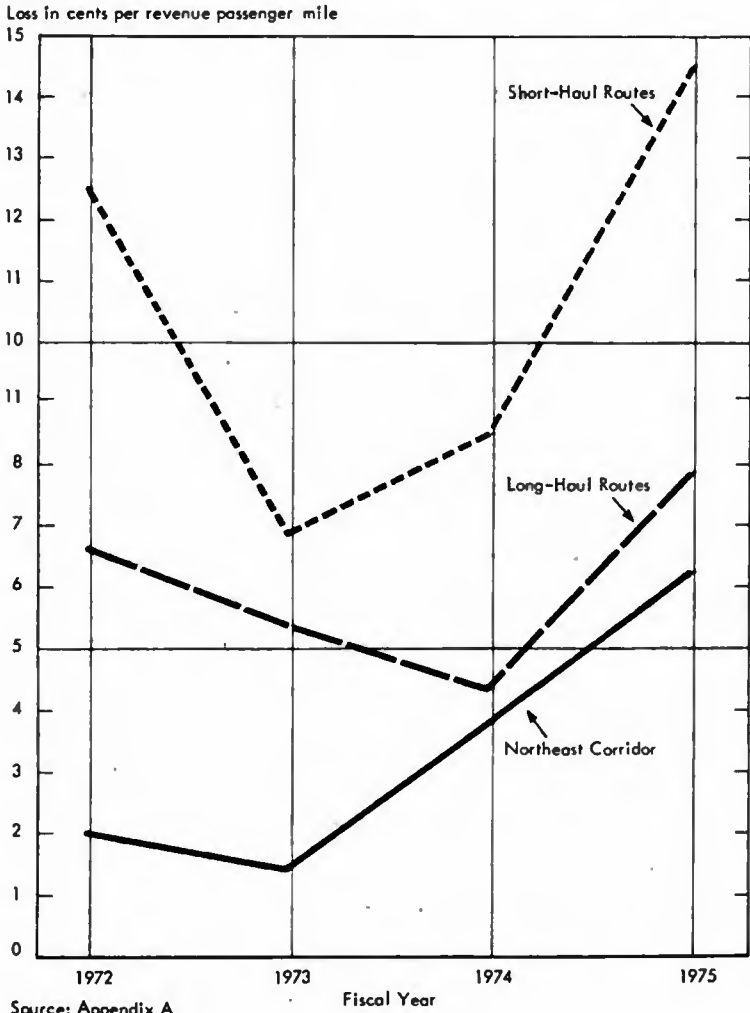


*Inaugurated after 12/31/73.

Source: Appendix D

AMTRAK'S SHORT HAUL ROUTES ARE ITS BIGGEST LOSERS

Amtrak Losses per Revenue Passenger Mile, by Route Type



incorporates a profit and loss statement for each major route (Appendix A).

At the outset, it is apparent that on a fully allocated cost basis, all of Amtrak's routes operate at a loss (Ibid). Moreover, the relative extent of such losses is not determined by geographical location or stage length (Figure 7). Thus, the dense Northeast Corridor Boston-Washington operation incurs a greater loss per rpm than the relatively sparse New Orleans-Los Angeles route. Similar anomalies are found in comparisons of certain "short haul" with "long haul" services. Whereas normally the loss per rpm is greater on short haul than long haul operations, the reverse is true in the New York-Buffalo/Detroit versus the Seattle-San Diego market. No pattern emerges. In short, Amtrak cannot predict with any degree of reliability which routes offer the greatest promise of economic viability.

B. AMTRAK IS ECONOMICALLY PREDESTINED TO SUFFER CONTINUING AND WIDENING LOSSES

Between fiscal 1974 and 1975 Amtrak's deficit rose by \$115 million. In 1975 it sought to stem losses by increasing fares an average of 14% (Figure 8). But traffic responded adversely, dropping more than 11%. This, combined with a simultaneous cost increase of 44%, produced a \$313 million deficit -- rivalling the steepest annual loss in transportation history.

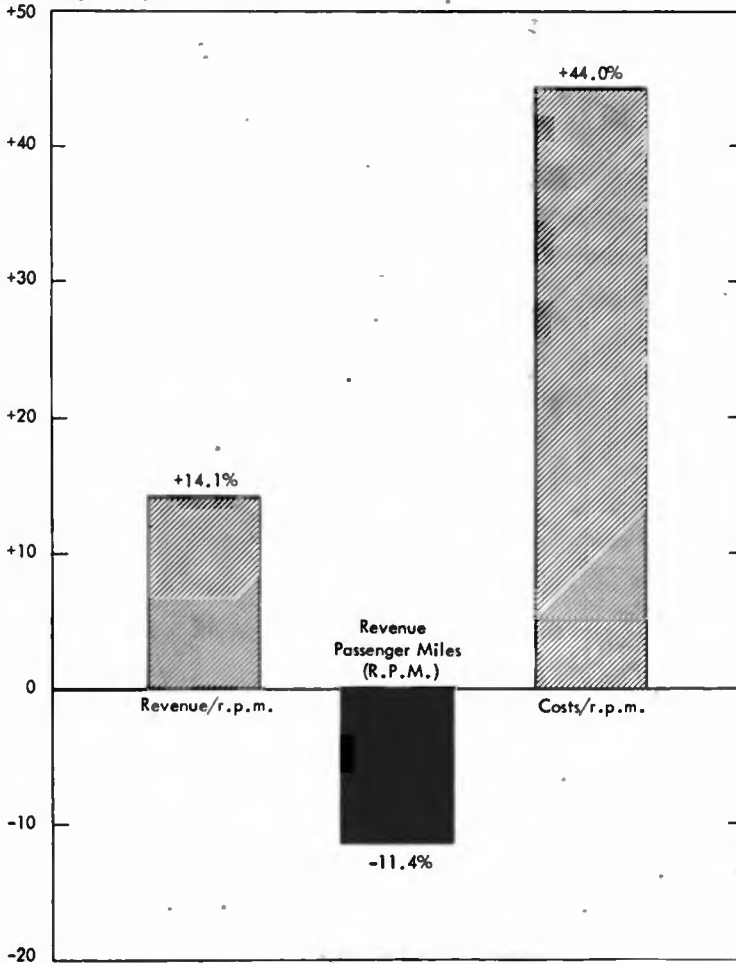
The certainty of Amtrak's continuing economic failure is assured by the acid test of any transport mode's future -- break-even load factor analysis. Such analysis undertakes to determine the percentage occupancy,

Figure 8

AMTRAK RAISED FARES IN 1975, BUT TRAFFIC DROPPED AND COSTS ROSE DISPROPORTIONATELY TO THE FARE INCREASE

Change in Amtrak System Traffic, Unit Costs and Unit Revenues,
FY 1975 vs. FY 1974

Percentage change: FY 1975/1974



Source: Appendix A

i.e., load factor, required to achieve equilibrium between prevailing costs and revenues. ^{21/}

During fiscal 1975 Amtrak experienced load factors as follows: Northeast Corridor -- 43%; Long haul routes -- 50%; Short haul routes -- 35%; System load factor -- 46% (Figure 9). These results represent substantial load factor declines from 1974: Northeast Corridor -- down 7 percentage points; Short haul routes -- down 18 percentage points; Long haul routes -- down 7 percentage points; System -- down 9 percentage points, or a drop of 16% (from 55 to 46). Clearly, a dramatic turnaround in passenger usage is required to approach economic operations. But even under those assumptions most favorable to Amtrak's economic future, realization of break-even status is mathematically beyond its grasp. Thus, assume the following: (1) passenger rail transportation was so attractive in 1975 that traffic levels were considerably higher than actual; and (2) such traffic was produced without the additional costs generally associated with improved service and increased loads. Under these rosy assumptions -- which fly in the face of experience -- the load factors required for break-even operations by Amtrak for 1975 would have been as follows: (Figure 9).

	<u>Load Factor Needed To Break-Even Fiscal 1975</u>
Northeast Corridor	76%
Short Haul Routes	118%
Long Haul Routes	122%
System	106%

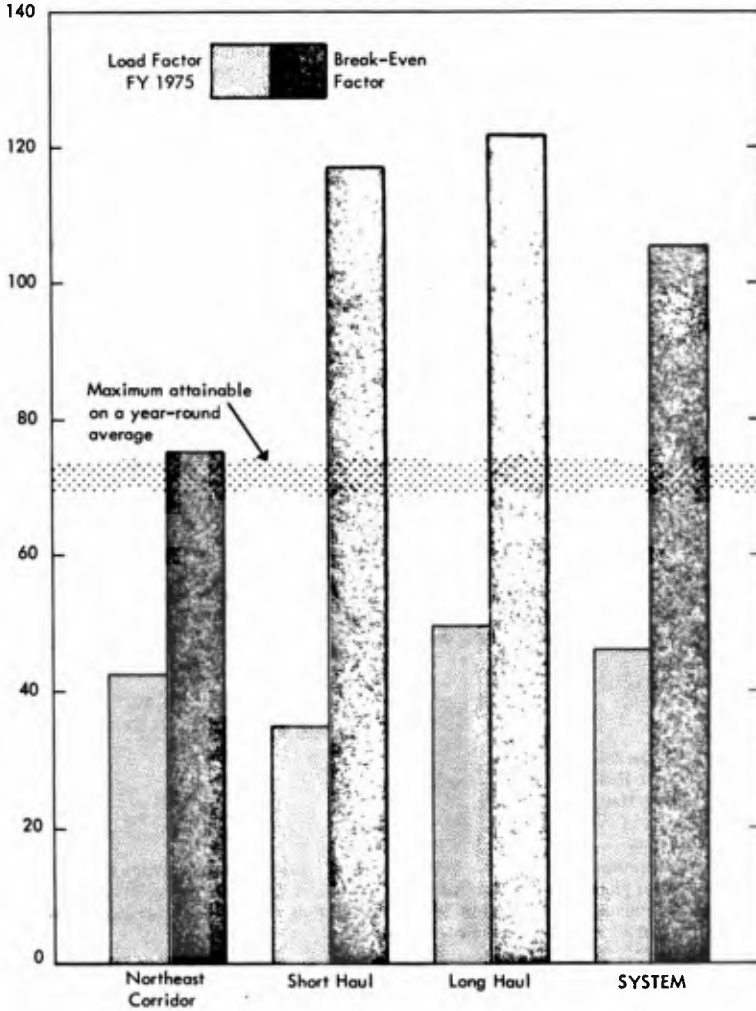
^{21/} For purposes of this discussion costs and revenues are expressed in terms of passenger miles and load factor is determined by dividing actual available seat miles by the number of revenue passenger miles required to reach break-even levels.

Figure 9

AMTRAK CANNOT ACHIEVE BREAK-EVEN LOAD FACTORS

Amtrak Load Factors, by Route Type, Actual and "Breakeven", FY 1975

Load Factor - Percent



Source: Appendix F

- 16 -

C. AMTRAK'S FORECAST OF ITS SUBSIDY REQUIREMENTS
IS UNRELIABLE AND UNDERSTATED

Amtrak's management prepared anticipated subsidy requirements for each year of prospective operations from 1971 through 1975. These forecasts missed their mark by 14 to 32 percent -- always on the low side (Figure 10). ^{22/} Indeed, the margin of error has progressively worsened. Nevertheless, Amtrak has provided a new five-year financial and operating plan upon which it wishes Congress to rely. ^{23/}

The latest forecast for fiscal 1976-1980 predicts a composite deficit of \$2.32 billion.

Fiscal Year	Revenue \$(000,000)	Expense \$(000,000)	Deficit \$(000,000)	Composite Deficit ^{24a/} \$(000,000)
1976	314	710	396	396
1977	389	867	478	874
1978	447	968	521	1,395
1979	506	1,002	496	1,891
1980	577	1,010	433	2,324

Were Amtrak's forecast to fall short of actual results by its average historic margin of error, the actual operating subsidy need would approximate \$3 billion over the next five years. ^{24/}

^{22/} No explanation is offered as to how Amtrak's most recent statistical techniques differ from or are more reliable than those utilized in producing the previous erroneous forecasts.

^{23/} National Railroad Passenger Corporation Five Year Financial and Operating Plan, Fiscal Year 1976 - Fiscal Year 1980 (August 1975), Exhibit 3.

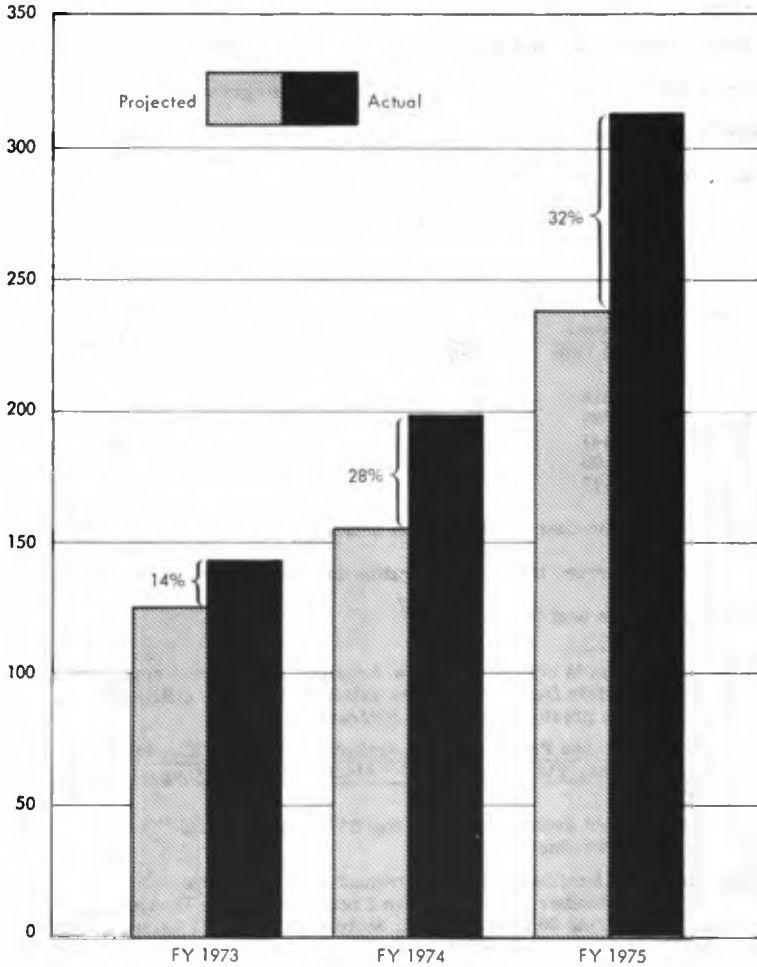
^{24/} The unweighted average shortfall was 26% between fiscal '73 and '75 Appendix G (weighted average).

^{24a/} Excludes \$112 million deficit for transition period between July 1, 1976 and September 30, 1976, when fiscal year will be changed from year ending June 30 to year ending September 30. This brings the fiscal year 1980 cumulative total to \$2,436 million.

Figure 10

**AMTRAK UNDERSTATES PROJECTED DEFICITS
BY EVER-WIDENING MARGINS OF ERROR****Amtrak's Projected vs. Actual Deficits, Fiscal Years 1973 - 1975**

Million dollars



Source: Appendix G

1. Amtrak's Five-Year^{25/} Forecast Is Inherently Defective

Amtrak's forecast must be disregarded. First, the 1977-1980 forecast is expressed in fiscal 1977 dollars and, therefore, ignores three years of probable inflation. Second, Amtrak anticipates a total expense increase of only 42% for the 4-1/4 years between year ended June 30, 1976 and year ended June 30, 1980. This estimate contradicts its own experience which reflects a cost increase of 83% between fiscal 1972 and fiscal 1975 -- a period of three (3) years.^{26/} Third, it concedes that passenger fares will remain below costs and will not rise in proportion to overall inflation.^{27/} Accordingly, it envisages that its financial results will be only minimally affected by natural economic conditions. Fourth, Amtrak assumes that traffic will increase 126% by fiscal 1980, although it has declined 10% between fiscal 1974 and 1975. Fifth, Amtrak assumes that the predicted doubling of traffic will be achieved while increasing system load factor -- thereby insisting that additional traffic will be accommodated largely by adding cars and/or seats to existing schedules.^{28/} A fortiori, Amtrak must

25/ National Railroad Passenger Corporation Five Year Financial and Operating Plan, Fiscal Year 1976 - Fiscal Year 1980 (August 1975), Exhibit 3.

26/ Appendix A-1.

27/ Thus, Amtrak anticipates that it will premeditatedly price its product below break-even levels leaving its non-subsidized competitors to their Hobson's choice.

28/ Id. at Exhibit 11, p. 2. Train miles will be increased by only 23%, accompanied by a seat mile increase of 110%. The difference must be attributable to added cars of higher density seating on existing trains (Exhibit 4 of National Railroad Passenger Corporation Five Year Financial and Operating Plan, supra).

believe that substantial traffic can be newly-generated despite little or no increase in frequency. Such an inference is counter to all transportation experience.

A forecast combining historic data as well as forecast trends has been undertaken as a more empirical alternative to that repeated by Amtrak's a priori estimates. This forecast, available upon request, utilizes historic traffic growth plus experienced costs which are applied to Amtrak's proposed capacity and fare levels. Should capacity be greater or fare levels lower than anticipated, the operating loss will be proportionately higher. This forecast reflects an operating loss for fiscal year 1980 alone of \$600 million, \$167 million greater than that estimated by Amtrak. To be sure, a statistical extrapolation of Amtrak's past experience suffers from the sparsity of available data and deliberate trend. However, this methodology is far superior to Amtrak's a priori forecasts which in the past have proved wholly unreliable.

2. Amtrak's Reliance Upon the "Discouragement" Theory Is Misplaced

Intrinsic to Amtrak's traffic forecasting technique is the so-called "discouragement" analysis. This theory postulates that the overriding consideration in discouragement of rail passenger patronage during the past World War II period was erosion of service quality and quantity. Proponents of Amtrak utilize the "discouragement" imperative to urge its converse, namely, that improvements in service will herald a return to the golden age of rail transportation when substantial use was made of

passenger rail service. The logical frailties and practical shortcomings of this reasoning are manifold: (1) even if potential passengers were discouraged from patronizing trains because of poor service, during the 1950's and 1960's, they may, nevertheless, not respond positively to rail service improvement during the 1970's and 1980's; (2) the quality and quantity of service improvements needed to effect a resurgence of passenger rail usage are not susceptible to prognosis;^{29/} and (3) even if such prognosis were feasible the proselytes of "discouragement" have not stated the extent to which our economy should invest in their notions.^{30/}

More fundamental than these deficiencies is the "discouragement" theory itself, which prompts exaggerated expectations of Amtrak's passenger growth potential and break-even capability. Thus, the National Association of Railroad Passengers anticipated that service improvements in the early 1970's would restore patronage to 1960 levels and that, consequently, Amtrak would prove profitable after a few transitional years.

This hope of passenger rail resuscitation was based upon an erroneous diagnosis of the reasons for its decline. That decline was principally attributable to convergence of four technological and social phenomena:

- (1) air transportation rapidly evolved from the DC-3 era into the jet age;
- (2) business demands raised the monetary value of time; (3) the United States developed the most extensive and modern highway system in the

^{29/} Significantly, none of its proponents have assayed such a projection.

^{30/} Amtrak foresees a \$432.1 million deficit in fiscal 1980.

world; and (4) the private automobile became a fixture for most American families.

Concurrent with the development of rapid and convenient air transportation, people with the highest valuation of time began to desert passenger rails. Demand for Pullman accommodations, parlor car service and other luxury amenities declined more rapidly than demand for coach service. Accordingly, trains such as the City of New Orleans and El Capitan maintained patronage at higher levels than their luxury counterparts, the Panama Limited and Super Chief. This setback in usage combined with the high labor intensity of luxury service exacerbated losses for this type of rail transportation.

Railroads attempted to adapt to this demand/cost divergence by reducing luxury accommodations, a judgment particularly unpopular with the affluent elderly who combined a low valuation of time with a high valuation of luxury service. In any event, some observers determined that the decline of luxury service at a faster rate than standard service reflected an effort to discourage passenger rail travel. It was concluded, therefore, that the converse would obtain: high quality service would redirect large volumes of passengers from airlines, buses, and automobiles.

This conclusion is erroneous because rail service suffers competitive disadvantages which cannot be overcome by presently programmed service improvements. For example, analysis of total trip costs^{31/}
31/ Transportation cost plus opportunity cost of time.

demonstrates that Amtrak is an acceptable transportation option under only the most limited and artificial circumstances. Were Amtrak required to charge fares commensurate with its costs in an unmanipulated marketplace, it would suffer a competitive disadvantage relative to every common carrier at every trip length (Figure 11). ^{32/} Even at subsidized fare levels, the only trip span over which Amtrak offers the public cheaper transportation than other modes is between 50 and 95 miles. ^{33/} So much for economic considerations.

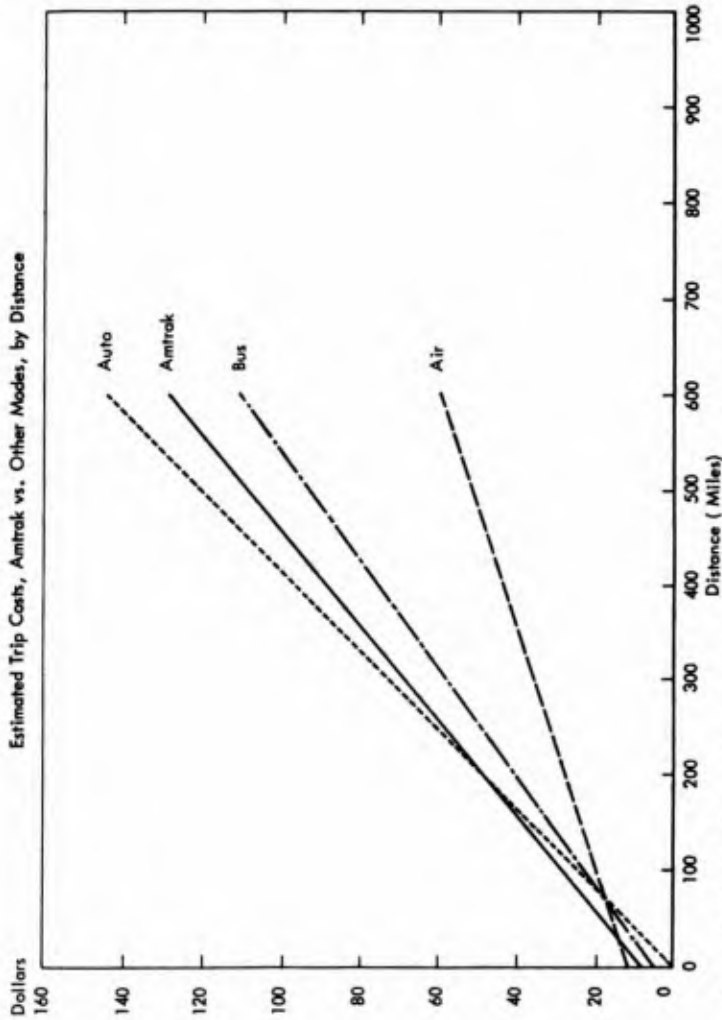
Amtrak cannot offset its natural economic disadvantages by emphasizing service quality. From the standpoint of schedule frequency -- a quantitative consideration which is also fundamental to service quality -- passenger trains cannot compete with airlines in either rural or urban markets. Moreover, from the standpoint of "creature comfort", trains cannot rival commercial aircraft. Passengers spend so much more time in trains than aircraft for similar stage lengths that the former cannot be maintained at comparable levels of cleanliness. Furthermore, the metal-on-metal contact of rail vehicles aggravates the malfunction rate of heating and air-conditioning devices. Finally, the vibration intrinsic to the movement of train on track creates additional discomfort, the extent of which will depend upon equipment, road bed and trip length.

^{32/} Miller, An Economic Policy Analysis of the Amtrak Program, (American Enterprise Institute for Public Policy Research, Washington, D.C. 1975), p. 157.

^{33/} At 1973 fares. Id. at 154-155.

Figure 11

TOTAL TRIP COST OF AMTRAK'S SERVICES, INCLUDING TIME VALUED
AT \$5 PER HOUR, EXCEEDS THAT OF ANY OTHER MODE
OF COMMON CARRIER TRANSPORTATION



Source: Miller, "An Economic Policy Analysis of the Amtrak Program", (American Enterprise Institute for Public Policy Research, Washington, D.C. 1975) pg. 157.

Where cost or comfort does not control the choice of transportation mode, relative convenience and flexibility are high priority considerations. In this context the private automobile predominates. A trip by automobile creates an intangible quality of togetherness among the participants not present on common carrier services. The automobile also permits schedule flexibility, freedom of movement and dining/sleeping options. The train cannot compete on any level of convenience. ^{34/}

The most conclusive refutation of the discouragement/encouragement theory is history. In 1970, prior to establishment of Amtrak, rail passenger patronage had sunk to its lowest level in twenty years. ^{35/} Beginning in 1971 Amtrak undertook to upgrade equipment, improve maintenance and terminal facilities as well as to promote traffic. Yet, at the end of fiscal 1975, ^{35a/} traffic stood at levels substantially below 1972. In short, the discouragement/encouragement theory is a fiction. It cannot justify the billions of dollars spent in the past nor can it serve as a foundation for the billions programmed for the future.

^{35/} Ironically, Autotrain, which permits the passenger to take his automobile on a passenger rail trip, appears to be the only profitable passenger rail service.

^{35a/} The fiscal year 1975 Amtrak traffic count according to its market research department was 15.9 million. Subsequent to writing the above an Amtrak report to the ICC, Form OCB, was found to contain a higher passenger count.

^{36/} U. S. Department of Commerce, Statistical Abstract of the United States 1972, page 53C.

IV. THE PUBLIC CONVENIENCE AND NECESSITY ARE NOT
ENHANCED BUT DISRUPTED BY AMTRAK'S ACTIVITIES

The "public convenience and necessity" have been the policy touchstone of every statute affecting transportation including the National Rail Passenger Service Act of 1970. The phrase is not susceptible to precise definition. But Amtrak recognizes, as applied to any given transportation proposal, that public convenience and necessity encompass considerations such as availability of alternatives, relative efficiency, cost, impact upon competition, etc. Amtrak's activities will be analyzed in terms of the requirements of the public convenience and necessity.^{36/}

A. ALTERNATIVE MODES ARE FAR MORE RESPONSIVE
TO PUBLIC DEMAND THAN AMTRAK

The United States has the finest integrated highway network in the world. This network combined with modern intercity bus service has produced a common carrier surface system second to none (Figure 12). In both rural and urban America competitive service is provided over the more densely travelled segments.

Direct intercity transportation is also available by airline over a route complex which blankets the country (Figure 13). No American city with scheduled airline service receives less than one daily roundtrip to its major community of interest. Most receive considerably higher service levels scheduled where feasible to meet the needs of community travel.

^{36/} The environmental impact and fuel efficiency of its services will also be considered within the broad rubric of the public convenience and necessity.

Figure 12

Major Bus Routes in Continental U.S.



Figure 13

Major Airline Routes in Continental U.S.



Amtrak does not effectively contribute to the public convenience and necessity served by bus lines and air carriers. Its route system is extremely limited (Figure 14). All of its trains operate in markets served more frequently by both intercity buses and airlines.^{37/} The average terminal to terminal speed of intercity air and bus service is significantly greater than rail service.^{38/} These considerations are reflected in Amtrak's relatively insignificant participation in the transportation of intercity common carrier traffic -- five percent of the total (Figure 15).^{39/} In terms of revenue passenger miles Amtrak's participation is only 2.9%^{39a/} (*Ibid*). However, the cost of Amtrak's transportation to the American public is far from insignificant. Amtrak's traffic is subsidized at a rate almost ten times that of the subsidized airline industry (Figure 16). Thus, the public benefits of Amtrak if any must be found in intangibles. The most apparent of these is variety. Passenger rail service broadens the spectrum of choices available to the potential traveller. The existence of such options is undeniably beneficial -- provided the cost is reasonable. Amtrak's cost is wholly unreasonable whether paid by the taxpayer, competing modes of transportation or potential beneficiaries of alternative resource allocations.

^{37/} See Official Rail, Bus and Airline Guides.

^{38/} Miller, *supra*, p. 153.

^{39/} Inclusion of Southern Railway, Rock Island, Denver and Rio Grande, Western and Georgia railroads will not materially affect this percentage.

^{39a/} The bus traffic referred to herein and in Figure 15 pertains only to the Class I segment of the industry for passengers and to regular intercity routes of Class I carriers for passenger miles. Class I traffic constitutes 41% of total bus traffic in terms of passengers and 53% in terms of passenger miles.

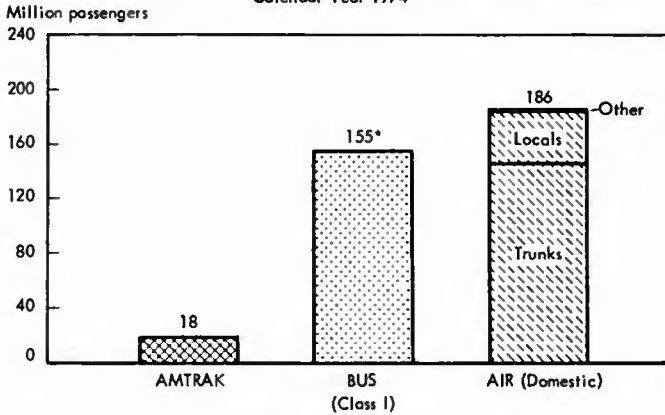
AMTRAK Intercity Rail Passenger Routes

Figure 14

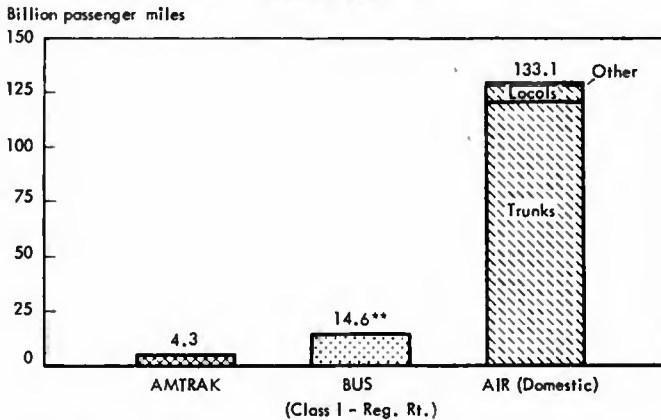


AMTRAK CARRIES ONLY A SMALL PART OF THE VOLUME OF PASSENGER TRAFFIC MOVING BY COMMERCIAL CARRIERS

Comparative Number of Passengers Carried, Amtrak vs. Bus and Air
Calendar Year 1974



Comparative Passenger Mile Traffic, Amtrak vs. Other Modes
Calendar Year 1974



Source: Amtrak - ICC Report, year 1974; NAMBO "Bus Facts";
CAB, "Airtraffic Statistics" and "Financial Statistics".

* Total Bus, 379 million passengers.

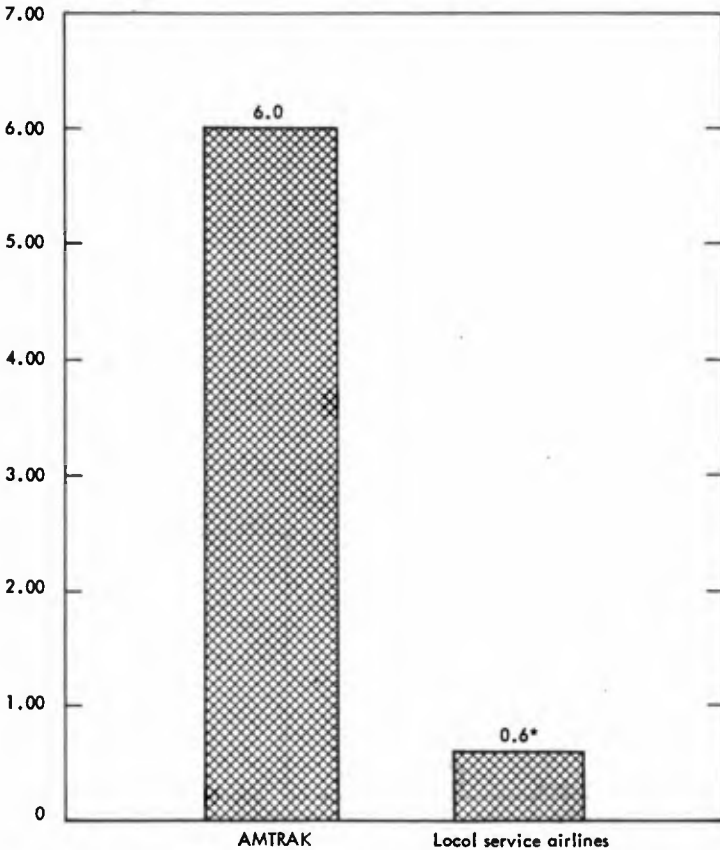
** Total Bus, 27.6 billion passenger-miles.

Figure 16

**TAXPAYER SUPPORT OF AMTRAK IS OVERWHELMINGLY
GREATER THAN SUPPORT GIVEN
TO LOCAL SERVICE AIRLINES**

Taxpayer Assistance per Revenue Passenger Mile, Amtrak vs. Local Service Airlines, 1974

Cents per passenger mile



*Subsidy per R.P.M. solely on subsidy eligible routes is 1.9¢.

Source: Appendix N.

B. AMTRAK RAIL SERVICE IS AN UNECONOMIC METHOD OF TRANSPORTING PASSENGERS AND AN IMPROVIDENT ALLOCATION OF GOVERNMENT SUBSIDY

The economic soundness of the Amtrak experiment can only be measured when appropriate comparisons are made with other common carrier modes. In every area of economic performance it ranks poorly.

Amtrak's system operating expense per rpm far exceeds that of its competitors (Figure 17).^{40/} In those markets where it is believed to be particularly cost efficient, Amtrak's performance is extremely discouraging. Thus, the Northeast Corridor shows costs as high as 53.33¢ per rpm (Appendix H, p. 2), the short haul San Francisco-Bakersfield route registered 44¢ per rpm in 1975, compared to 20.69¢ in 1974. The prime Seattle-Chicago cost of 14¢ per rpm in 1975 -- 48% higher than in 1974, and in excess of the average for all long haul routes. (*Ibid*).

Amtrak's revenue per rpm is extremely disconcerting because it reflects a schizophrenic pricing policy which, on the one hand, is not calculated to reduce subsidy and, on the other, is certain to cause economic injury to its competitors (Figure 18).

AMTRAK

	<u>System Cost Per RPM</u>	<u>System Revenue Per RPM</u>	<u>Ratio of System Cost To System Revenue</u>
F. Y. 1972	10.8¢	5.4¢	2 to 1
F. Y. 1973	9.8¢	5.4¢	1.81 to 1
F. Y. 1974	10.07¢	5.52¢	1.82 to 1
F. Y. 1975	14.54¢	6.30¢	2.31 to 1

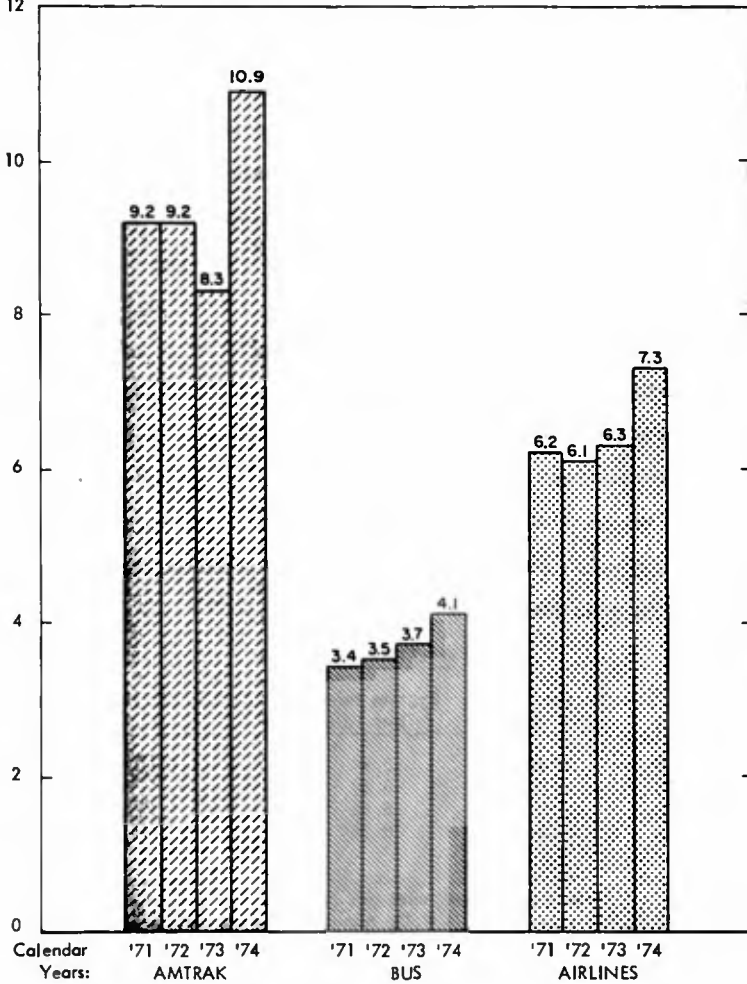
^{40/} In 1974 Amtrak's system expense per rpm was 8.66¢ compared with 4.06¢ for intercity buses (L.C.C. Annual Reports).

Figure 17

AMTRAK SYSTEM COSTS OVERSHADOW THOSE OF OTHER INTERCITY CARRIERS

Operating Expense per Revenue Passenger Mile, Amtrak vs. Bus and Air Carriers, 1971 - 1974

Cents per revenue passenger mile



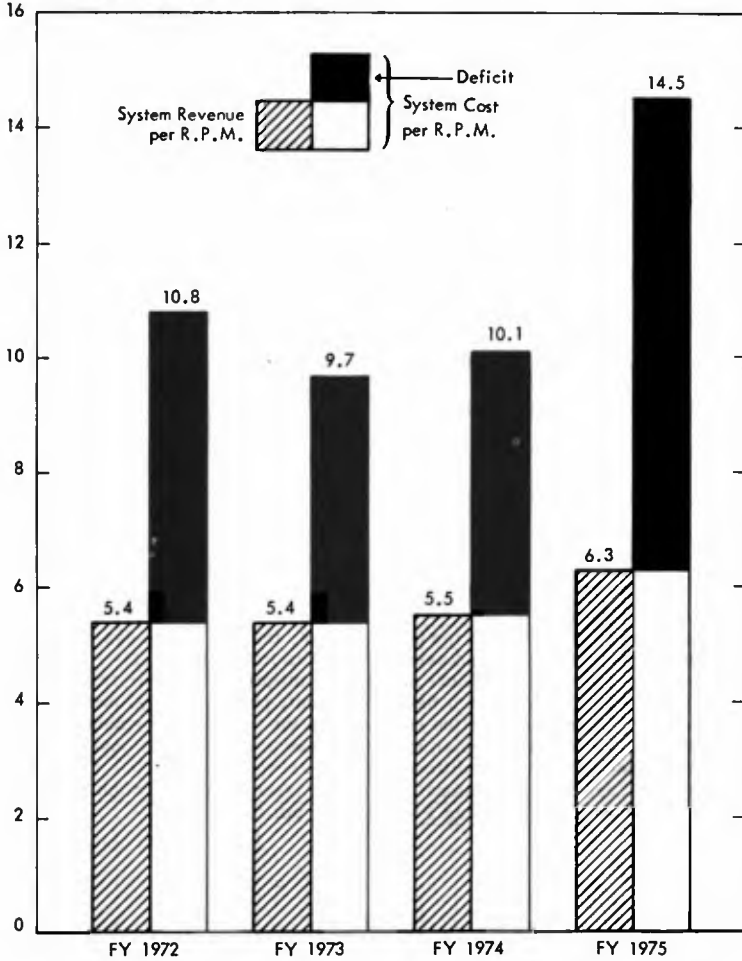
Source: Appendix H

Figure 18

AMTRAK HAS NOT ADOPTED A FARE POLICY DESIGNED TO BRING FARES IN LINE WITH COST

Amtrak System Unit Revenue vs. Unit Costs, FY 1972 - FY 1975

Cents/Revenue passenger miles



Source: Appendix A-1

These comparisons demonstrate that Amtrak has made no effort to narrow the gap between revenue and expenses (Figure 19).^{41/} Thus, the 100% gap in fiscal 1972 widened to 130% in 1975. Concurrently, Amtrak's deficit rose from \$153.5 million to \$313.3 million (with benefit of state subsidies).

In any event, while the taxpayer was meeting Amtrak's deficit, competing transportation modes lacking such assistance were struggling to remain profitable (see Figure 19).

	<u>Airlines</u>	<u>Bus Lines</u>
System Cost per rpm (1974)	7.3¢	4.1¢
System Yield per rpm (1974)	7.5¢	4.4¢

Amtrak's losses do not deter it from pricing its product well below that of competing bus and airlines. In the Northeast Corridor, Amtrak has priced its New York-Washington metro service and Boston-Washington conventional service below Eastern Airlines air shuttle. Amtrak has

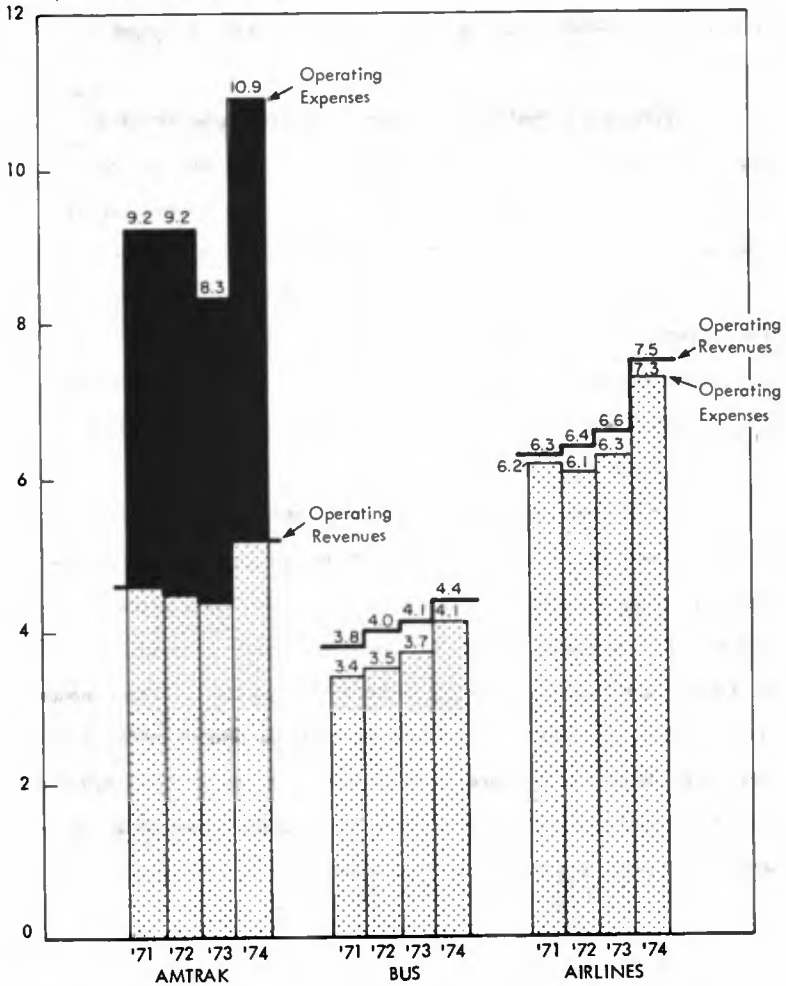
^{41/} Amtrak insists that "Except for new services, the cost increases are not controllable." It also asserts "...it is impossible to increase fares to offset cost increases of this magnitude..." Amtrak's solution is a blank check from the Government, phrased as follows: "Operating grants should not be computed on the basis of a formula that does not consider the relationship between uncontrollable cost increases and economic conditions that limit revenue generation through fare increases" National Railroad Passenger Corporation Five Year Financial Operating Plan, supra, pp. 8, 9, 10.

Figure 19

UNLIKE AIRLINES AND BUSES,
AMTRAK HAS MADE LITTLE EFFORT TO NARROW THE GAP
BETWEEN REVENUES AND EXPENSES

Comparative Industry Unit Revenues and Costs - Calendar Years 1971 - 1974

Cents per revenue passenger mile



- 27 -

publicized its comparative price advantage over Eastern Airlines using funds from its subsidized advertising budget (Figure 20). Amtrak's pricing and advertising policies ignore the fact that the Washington-New York and Washington-Boston services lose 2.35¢ and 6.96¢ per rpm respectively (Appendix A).

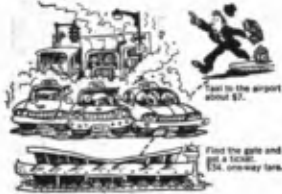
During 1975 Amtrak announced a new Bicentennial Washington-Boston fare of \$25 one-way and \$40 roundtrip. Previous bus fares had been \$29.90 one-way and \$56.85 roundtrip. Amtrak's new fare compelled a bus fare reduction to \$24.95 one-way and \$39.95 roundtrip. In October 1975, Amtrak announced its new Lake Shore Limited service between Boston and Chicago which is being offered at fares significantly below bus fares, and in some instances even lower than 1971 rail rates. These continuing practices of Amtrak will necessitate a significant fare reduction by bus operators (Figure 21).

Amtrak's fare reductions viewed in a vacuum, are not necessarily contrary to the public interest. In context however, Amtrak's fare reductions are clearly contrary to the public interest. They are intentionally established at below cost levels. They impose an unfair competitive impact upon unsubsidized competing modes of transportation. These modes are inherently more economic than Amtrak. Yet, the latter's pricing policies compel the former to price their services below cost. Thus, Amtrak's pricing policy is injurious to the taxpayer, to competing modes of transportation which perform useful public service and to the free marketplace.

AMTRAK ADVERTISEMENT IN NEW YORK TIMES
(January 6, 1976)

THE HARD WAY TO WASHINGTON.

By Plane:



THE EASY WAY TO WASHINGTON.

By Metroliner:



It doesn't matter how you look at it, Amtrak's Metroliner is the easier way to Washington. With 15 trains daily, Monday through Friday (with frequent service weekends), taking about three hours, downtown to downtown, why bother flying?

Get aboard the Metroliner and discover the ease of traveling in comfortable wide seats. Relax, snack, snooze, or even get some work done.

Amtrak's easier on your wallet, too. Just \$23, one-way coach. For information and reservations in N.Y.C. call 736-4545; in New York State outside N.Y.C. and in N.J. call toll-free 800-523-5700; in Conn., 800-523-5720. Or your travel agent.

See for yourself why the coming and going to Washington is easier on Amtrak's Metroliner.

Amtrak
Easy come, easy go.

C. THE CHICAGO-FLINT EXPERIENCE ILLUSTRATES THE
IMPACT OF AMTRAK'S PASSENGER RAIL OPERATIONS
UPON UNSUBSIDIZED INTERSTATE BUS SERVICE

The Chicago-Flint route has been served by intercity buses for many years. During 1973 and early 1974 Indian Trails provided a weekly frequency of 58 to 77 trips between Chicago and Kalamazoo and 50 or 51 weekly trips between Kalamazoo and Flint (Appendix J). In September 1974 Amtrak introduced competitive rail service over Indian Trails' prime Michigan Routes (Figure 22). The schedules provided a single daily roundtrip and the elapsed times were not significantly different from the bus times (Appendix K). Nevertheless, Amtrak's competition had an immediate and severe impact upon Indian Trails' traffic (Figure 23). For the first time in its 63 year history, Indian Trails was compelled to lay off employees. That consequence was a direct result of Amtrak's fare practices (Figure 24) which diverted substantial volumes of traffic to its subsidized operation. In fact, Indian Trails lost so much traffic that, despite the unfavorable cost/revenue equation, it was compelled to match Amtrak's fares in July 1975 (*Ibid*).

Amtrak's disregard for economic operations in its pursuit to increase traffic is demonstrated by analysis of its expenses on the Chicago-Flint route. At an estimated unit expense of 22.9¢ per rpm, Amtrak lost approximately \$1.9 million on its Chicago-Flint operation during fiscal 1975.^{44/} With reasonable assurance that the taxpayer will continue to

^{44/} Amtrak's Chicago-Port Huron loss was adopted (Appendix H, page 2) for the Chicago-Flint route because the operations are similar and, therefore, the costs are probably comparable.

MICHIGAN BUS ROUTES, IDENTIFYING INDIAN TRAILS,
AND AMTRAK'S MICHIGAN ROUTES

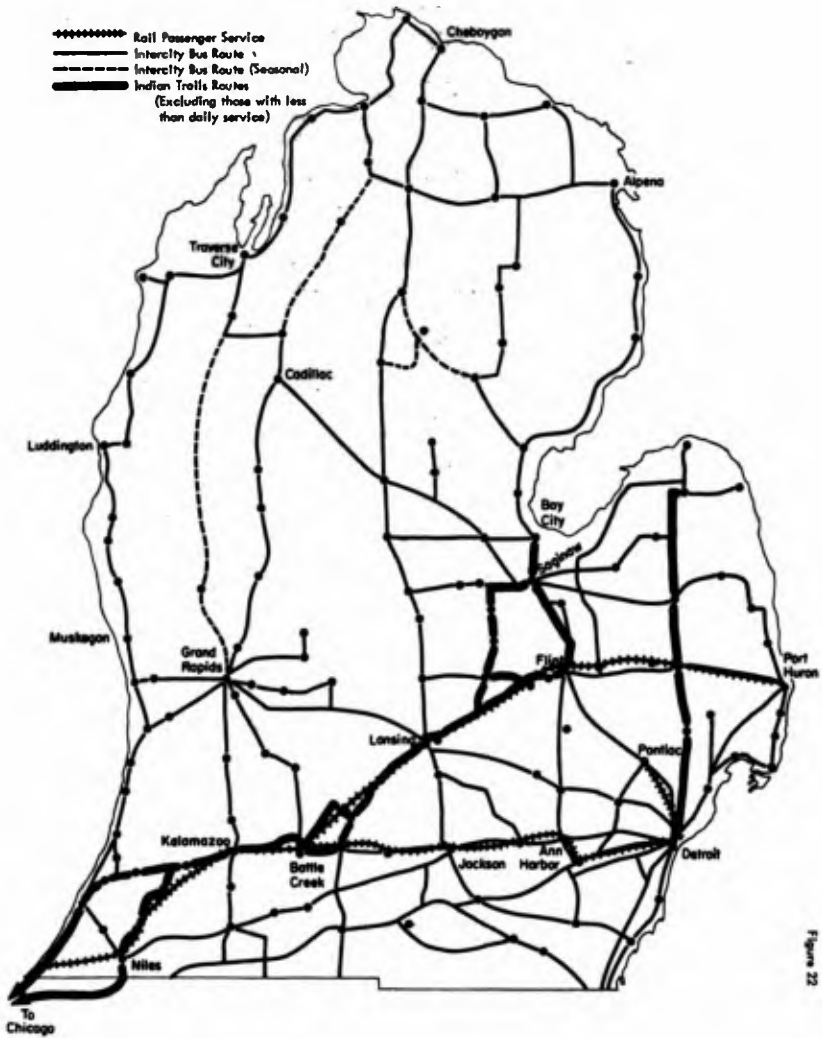
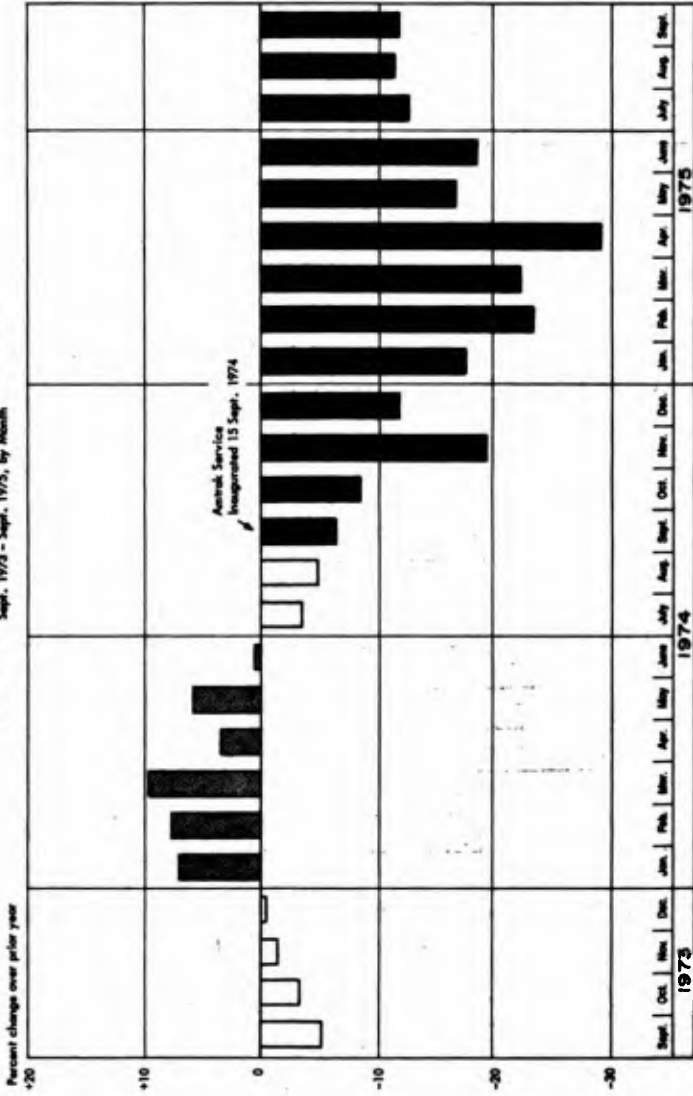


Figure 22

Figure 23

AMTRAK HAS SHARPLY DIVERTED TRAFFIC FROM INDIAN TRAILS BUS COMPANY

Indian Trails Passenger Boardings - Percent Change Over Prior Year,
Sept. 1973 - Sept. 1975, by Month

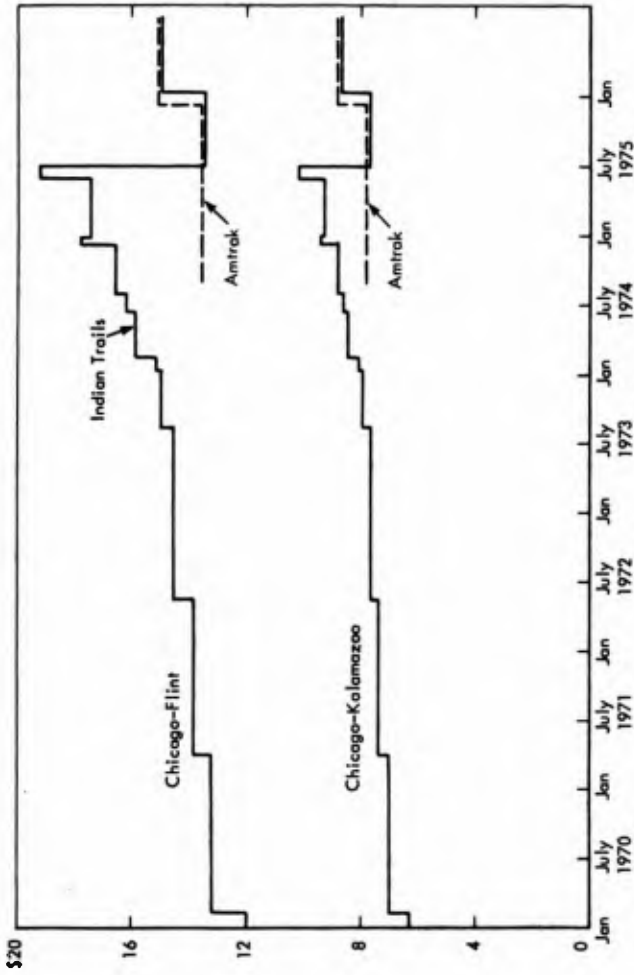


Source: Appendix L

Figure 24

AMTRAK BEGAN DUPLICATING INDIAN TRAILS SERVICE WITH DRASTICALLY LOWER FARES

Bus and Amtrak Passenger Fares Between Chicago and Kalamazoo/Flint, 1970 - 1975



Source: Appendix M

subsidize the Chicago-Flint route, as well as other similar routes, Amtrak is certain to continue its present pricing policy.

D. AMTRAK'S RELATIVELY INEFFICIENT UTILIZATION OF FUEL AND RELATIVELY HIGH POLLUTION EMISSION MILITATES AGAINST THE PUBLIC CONVENIENCE AND NECESSITY

1. Fuel Efficiency

The transportation sector consumes 24.3% of all U.S. energy.^{45/}

The scale of this consumption, combined with the present and foreseeable energy scarcities, compels each transportation mode to justify its usage of the available fuel resources. Comparatively, passenger rail transportation fares poorly.

Efficient utilization of energy by common carriers is commonly measured by fuel utilization per passenger or revenue passenger mile. The rate of consumption is principally determined by the type of vehicle, the percentage occupancy, relative mileage circuitry over the direct great circle distance between points served, and length of the trip.

The Boeing Company estimates that at all trip ranges, assuming a 60% average load factor for both modes, buses are more fuel efficient than trains (Figure 25).^{46/} However, even at a 100% load factor, buses

^{45/} Boeing Commercial Airplane Company, Intercity Passenger Transportation Data, Vol. 2, Energy Comparisons (May 1975), p. 13.

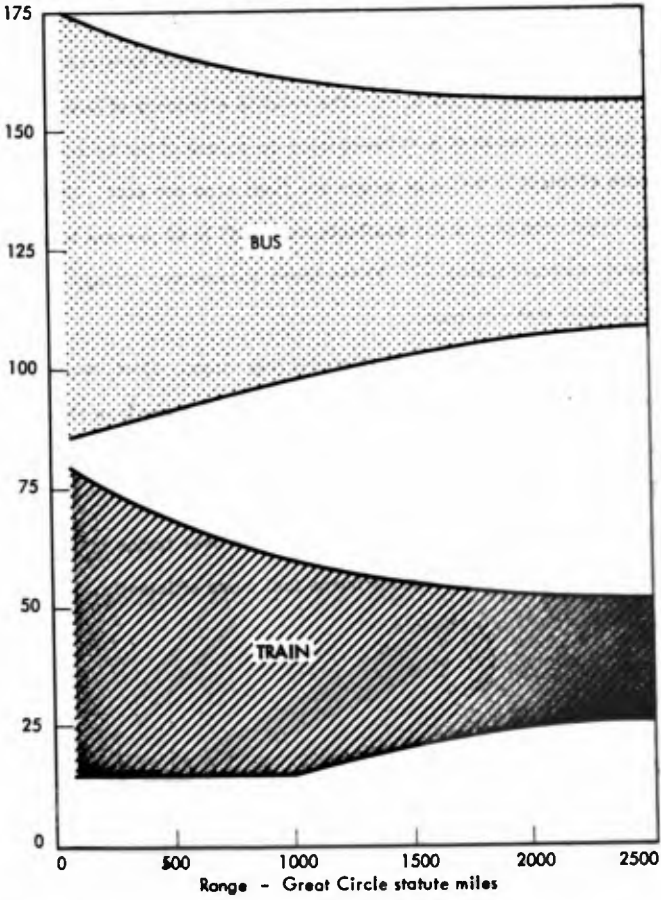
^{46/} Spring 1974 data based upon 94 city pairs. Ibid., p. 35, N.B. buses have consistently experienced higher load factors than trains and, accordingly, the former's fuel efficiency is relatively greater than Figure 26 indicates.

Figure 25

COMPARED TO BUSES, TRAINS DEMONSTRATE UNECONOMIC FUEL UTILIZATION FOR PASSENGER TRAFFIC

Development of Modal Range Trends - Composite

Fuel utilization -
passenger Great Circle miles/gallon
175



possess an absolute advantage over trains in fuel efficiency (Figure 26).

Buses also possess an inherent advantage over trains in terms of circuitry due to the historic linear development of train beds and trackage contrasted with the arterial development of highways. Tracks incorporate a generally higher percentage of circuitry than highways on trips between most city pairs. The most frequently-travelled Amtrak trains have circuitry of up to 45% between city pairs.^{47/} The relative efficiency of buses over current Amtrak trains is in part based upon the nature of the vehicles. The bus is more efficient in terms of weight and floor area per seat. Consequently, the rated horsepower per available seat is 37 to 68 percent less than that of diesel electric trains.^{48/} These lower horsepower ratings translate into greater fuel efficiency.

Fuel efficiency is also a function of modal trip ranges. Thus, while buses become more fuel efficient as ranges increase, trains are less efficient (Figure 25).^{49/}

2. Pollution Emissions

Bus transportation possesses natural advantages over trains in terms of pollution emission as the former burns fuel more efficiently thereby tending to emit fewer pollutants.

^{47/} Id. at 48-50.

^{48/} Id. at 53.

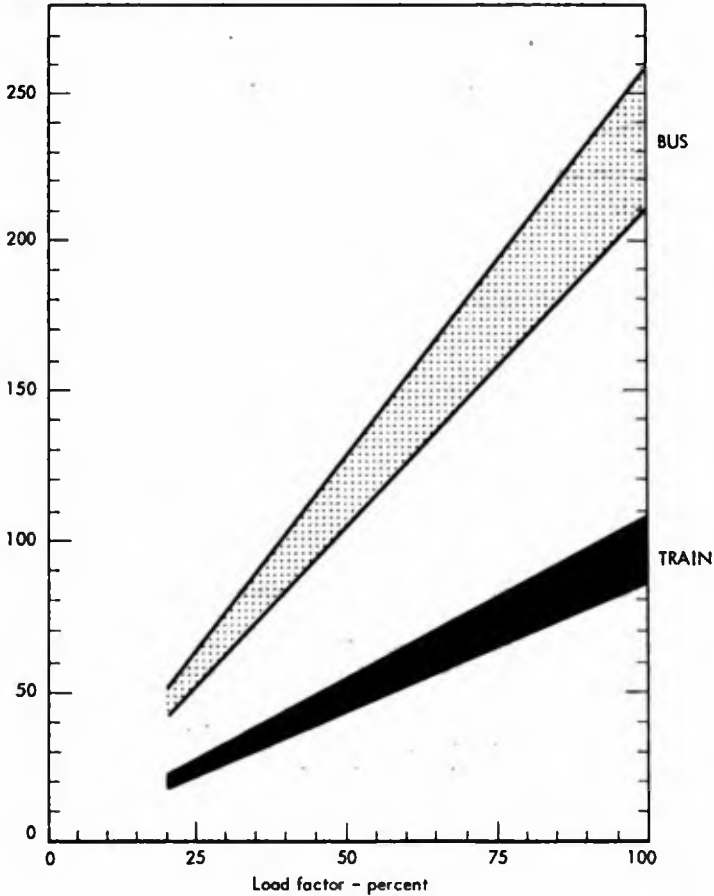
^{49/} Id. at 237.

Figure 26

TRAINS ARE INEFFICIENT USERS OF FUEL BY COMPARISON WITH BUSES

Los Angeles - San Diego, Miles per Gallon Fuel Utilization vs. Load Factor
For Trains and Buses

Great Circle
passenger statute miles/gallon



With the single exception of the New York-Washington route,^{50/} carbon monoxide and hydrocarbon emissions by trains have consistently been higher per passenger transported than those of any other common carrier modes (Figure 27).^{51/} The situation is exacerbated in the principal pollution-sensitive areas^{52/} where trains emit more hydrocarbon and nitrous oxide pollutants than all other common carriers combined (Figure 28). Moreover, on a per passenger basis, without regard to load factor, trains emit considerably more pollutants in all areas of the United States than any other mode of common carrier transportation (Figure 29).^{53/}

^{50/} The results over this route reflect Amtrak's use of electrical generating plants.

^{51/} Schott and Leisher, Common Starting Point for Intercity Passenger Transportation Planning, (Astronautics and Aeronautics, July/August 1975, p. 45).

^{52/} Messrs. Schott and Leisher (See note 5, p. 28) define pollution-sensitivity in terms of relative concentrations of pollutants in different geographical areas experiencing the same rate of emission.

^{53/} Schott and Leisher, supra, p. 46.

Figure 27

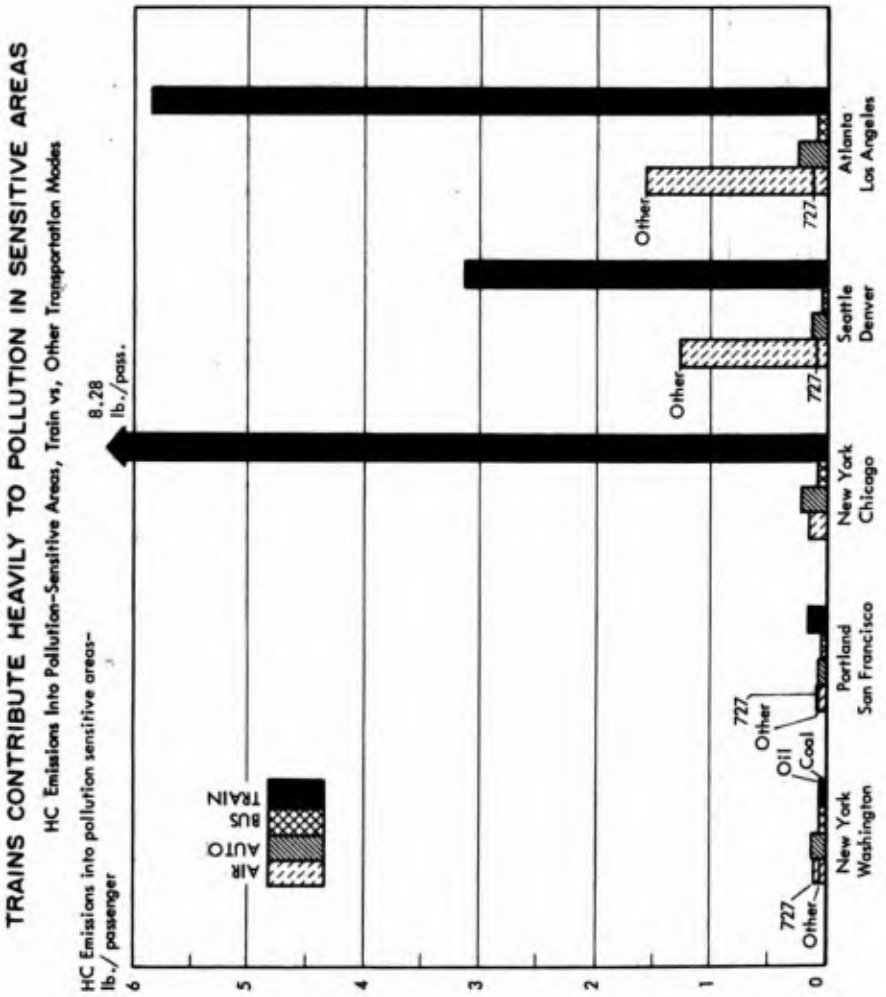


Figure 28

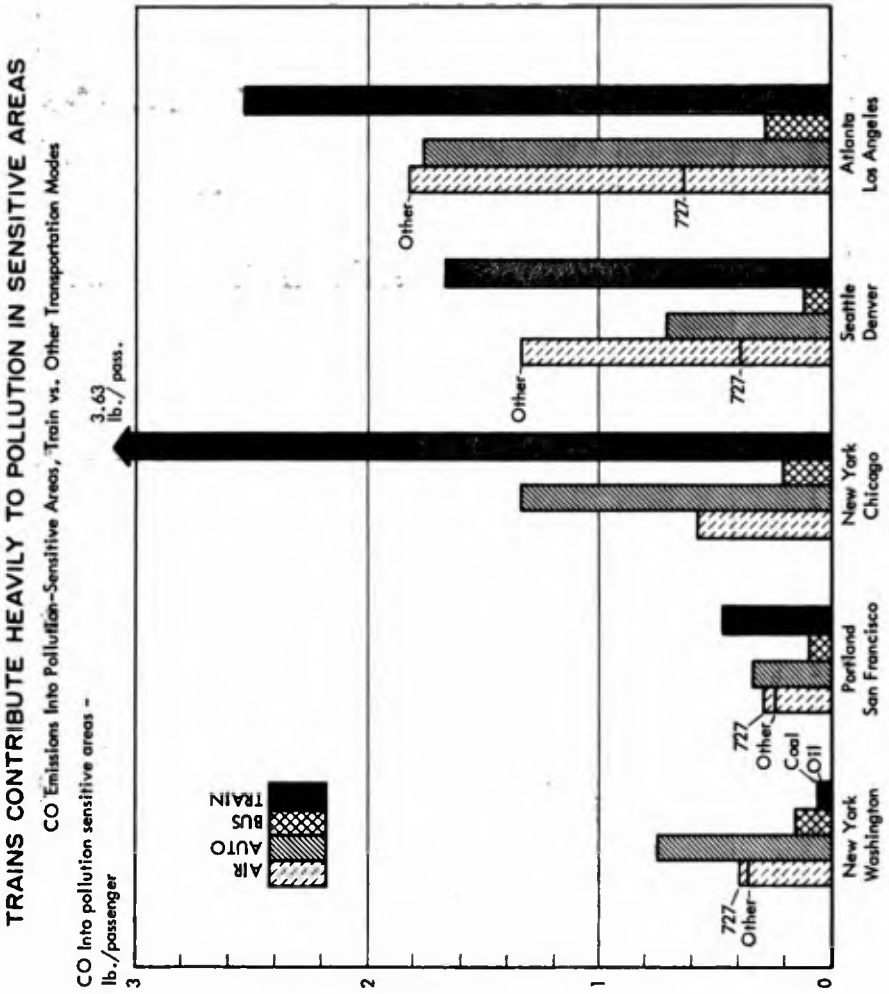
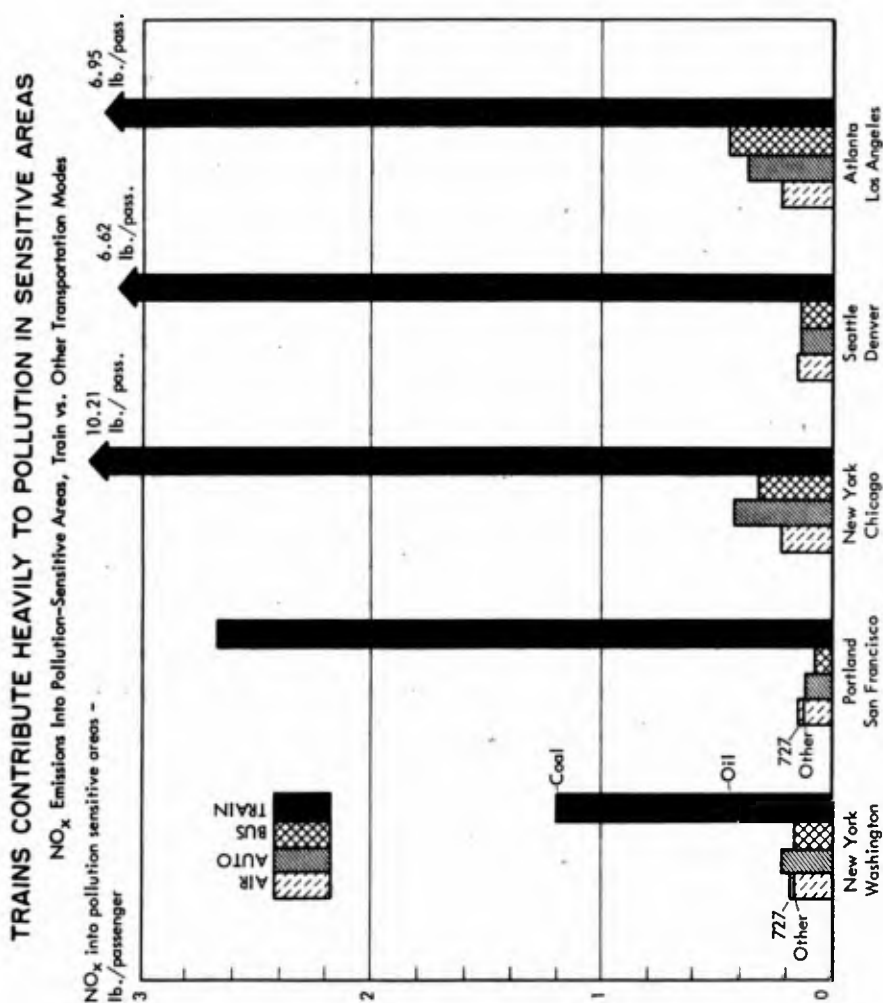


Figure 29



V. CONCLUSION

Amtrak creates a dilemma, but proposes no criteria to effect a solution. On the one hand, it demands subsidy without preset limitations. On the other hand, it insists upon total freedom to determine how that subsidy is to be expended. Constraints must be imposed upon such unbridled discretion. Criteria must be established to govern Amtrak in accordance with Congress' wishes as embodied in the Amtrak Improvement Act of 1975.

Although Amtrak has proposed neither constraints nor objective criteria to judge its performance, its failure to do so should not operate to foreclose consideration of these critical areas.

We are proposing constraints embodying revenue criteria in a formula designed, first, to contain and, second, subsequently to reduce subsidy for Amtrak's operations. The initial limitation, to be instituted in fiscal 1977 would authorize subsidy for Amtrak in an amount no greater than 50% of its operating costs. This ceiling would insure that the taxpayer would contribute no more to the provision of rail passenger service than the user. In subsequent years the taxpayers' contributions would be reduced as follows:

<u>Fiscal Year</u>	<u>Percent</u>
1977	50
1978	40
1979	25
1980	15

At the end of this period, Congress, presumably relying upon nine years of experience in subsidizing Amtrak's operations, would determine whether subsidy support should be extended for additional periods. If an affirmative decision were to be made on this issue, Congress would then determine the most appropriate division of subsidy between Amtrak and the scheduled airlines based upon its appraisal of the allocation which would provide the greatest benefit for the greatest number.

Irrespective of the precise subsidy formula that is finally adopted, it is clear that a formula must be imposed. It is equally clear that Congress is obliged to assume responsibility for establishing the appropriate ceiling. This is crucial since Congress determined to leave day-to-day operating controls to Amtrak's management. Such delegation of authority, however, should not operate to divest Congress of oversight. In this regard, Amtrak's experience has demonstrated that economic or financial control is ineffective when exercised ex post facto.

Consequently, subsidy limitations must be formulated in advance of authorization and appropriation of funds. To do less would be both imprudent and impractical.

AMTRAK PROFIT (LOSS) PER RPM^{1/}

Route	Fiscal Years			
	1972	1973	1974	1975
<hr/>				
N.E. Corridor				
N. Y.-Wash. (Metro)	-	-	(1.68)	(2.35)
Boston-Wash. (Conv.)	-	-	(3.73)	(8.96)
N. Y.-Philadelphia	-	-	(6.25)	(8.95)
New Haven-Hart. - Spgfld. */	-	-	(30.77)	(45.00)
Harrisburg-Phila. */	-	-	(7.65)	(13.52)
Total	(2.0)	(1.5)	(3.72)	(8.25)
Short Haul				
Chicago-Dubuque	-	-	(25.00)	(23.81)
Chicago-Milwaukee	-	-	(21.69)	(17.68)
Chicago-St. Louis	-	-	(4.96)	(18.88)
St. Louis-Milwaukee	(11.4)	(4.4)	(7.88) 3/	(18.45) 3/
N. Y.-Buffalo/Detroit	(12.1)	(7.1)	(7.03)	(9.28)
Chicago-Detroit	(14.9)	(8.2)	(7.72)	(13.33)
Chicago-Carbondale	-	-	(7.23)	(10.31)
Chicago-Quincy	(8.4)	(0.7)	(7.83)	(9.50)
Wash.-Cumberland	(33.3)	(58.6)	(28.23)	(26.23)
San Fran.-Bakersfield	-	-	(18.97)	(38.00)
Chicago-Port Huron	-	-	-	(17.44)
Minn.-Superior	-	-	-	(8.34)
L. A.-San Diego	-	-	(8.01)	(20.57)
Seattle-Portland	-	-	(11.27)	(23.57)
Special Trains	-	-	-	0
Other Operations	-	-	-	-
Total	(12.3)	(6.7)	(8.55)	(14.51)
Long Haul				
Boston-Florida	(5.0)	(4.8)	-	-
New York-Florida	-	-	(4.32)	(6.81)
Chicago-Florida	(15.0)	(11.8)	(10.06)	(20.00)
New Orleans-L. A.	(4.7)	(4.4)	(4.23)	(4.89)
Seattle-L. A.	-	-	(2.20)	(8.59)
Seattle-San Diego 2/	(12.4)	(4.6)	(3.44) 3/	(9.38) 3/
L. A.-Chicago	(3.8)	(4.0)	(1.93)	(5.31)
Seattle-Chicago	(4.7)	(4.9)	(4.70)	(8.39)
San Francisco-Chicago	(4.7)	(3.8)	(3.35)	(7.08)
Houston-Chicago	(8.4)	(8.9)	(5.24)	(7.99)
New Orleans-Chicago	(5.8)	(3.8)	(5.19)	(8.05)

AMTRAK PROFIT (LOSS) PER RPM^{1/}

Route	Fiscal Years			
	1972	1973	1974	1975
	-----¢-----			
Newport News/Wash. - Cincinnati-Chicago	(27.8)	(14.8)	-	-
Norfolk-Wash. -Chicago	-	-	(16.36)	(12.61)
N. Y. -Wash. -Chicago	(8.4)	(7.0)	(4.29)	(8.63)
N. Y. -Wash. -Kansas City	(28.5)	(11.8)	(6.59)	(13.35)
St. Louis-Laredo	-	-	(16.16)	(16.28)
Other Operations	(18.5)	(7.1)	-	-
Total	(6.5)	(5.3)	(4.40)	(7.92)
International				
N. Y. -Montreal	-	-	-	(15.88)
Wash. -Montreal	-	(9.5)	(4.72)	(17.09)
Vancouver-Seattle	-	(18.0)	(18.03)	(34.09)
Ft. Worth-Laredo	-	(20.0)	-	-
Total	-	(11.1)	(5.56)	(17.81)
System Total	(5.4)	(4.4)	(4.55)	(8.24)

1/ Revenue per RPM less fully allocated costs per RPM.

2/ Includes San Diego-L.A., Seattle-L.A., and Seattle-Portland service.

3/ For comparison purposes only. Not included in total.

*/ These two markets are included in the total Northeast Corridor figures shown for F. Y. 1972 and 1973. For comparable purposes they continue to be treated in F. Y. 1974 and 1975 as Northeast Corridor markets although Amtrak regarded them as short haul markets in their route analysis for 1974 and 1975.

Sources of Revenues, Costs and RPM's:

1975: Amtrak 5 Year Plan, August 1975, Exhibit 6

1974: Amtrak 5 Year Plan, September 1974, Exhibit 3

1973, '72: Report to Congress on the Rail Passenger Service Act of 1970, July 1974, U.S. DOT, Exhibits II-2 and III-3; and 1973 Annual Report, NRPC, Feb. 15, 1974, p. 5.

APPENDIX A-1

SUMMARY: AMTRAK OPERATING FINANCES
AND RPM'S AND PASSENGERS
FY 1972 - FY 1975

	Corridor 6/	Short Haul 7/	Long Haul	Int'l	Total	Per	
						RPM ¢	Pax \$
1972							
Revenue 4/	54.7	7.6	89.5	-	151.8	5.4	
Costs 4/5/	70.4	23.7	211.2	-	305.3	10.8	
Profit (Loss) 4/	(15.7)	(16.1)	(121.7)	-	(153.5)	(5.4)	
% of Total Loss	10.23	10.49	79.28	-	100.0		
RPM's 1/	793	131	1,890	-	2,814		
1973							
Revenue	62.1	8.2	100.3	3.3	173.9	5.4	
Costs	75.7	19.2	212.1	8.7	315.7	9.7	
Profit (Loss)	(13.6)	(11.0)	(111.8)	(5.4)	(141.8)	(4.3)	
% of Total Loss	9.59	7.76	78.84	3.81	100.0		
RPM's 1/	911	164	2,106	49	3,230		
1974							
Revenue	81.3	15.8	138.2	4.8	240.1	5.5	\$14.36
Costs	123.9	43.3	261.3	9.5	438.0	10.10	28.28
Profit (Loss)	(42.6)	(27.5)	(123.1)	(4.7)	(197.9)	(4.5)	(\$11.84)
% of Total Loss	21.53	13.70	82.20	2.37	100.0		
RPM's 1/	1,142.5	321.8	2,798.6	84.5	4,347.4		
Passengers 2/	10,166	2,290	4,048	213	16,717		
1975							
Revenue	86.5	20.4	130.0	5.7	242.8 3/	6.3	\$15.25
Costs	153.6	68.7	317.0	20.5	559.8	14.5	35.18
Profit (Loss)	(67.1)	(48.3)	(187.0)	(14.8)	(317.2) 3/	(8.2)	(\$19.93)
% of Total Loss	21.15	15.23	58.95	4.67	100.0		
RPM's 1/	1,074.2	332.8	2,360.7	83.1	3,850.8		
Passengers 2/	9,677	2,484	3,491	261	15,912		

1/ In millions.

2/ In thousands.

3/ Excludes state subsidies of \$3.9 million.

4/ Millions of dollars.

5/ Fully allocated costs. Reported route costs plus corporate expense and interest allocated among routes in proportion to reported route costs.

6/ Includes Harrisburg-Philadelphia and New Haven-Hartford-Springfield routes.

7/ Excludes routes listed in Note 6.

Sources: Revenues, Cost and RPM's: Same as Appendix A.
Passengers: Amtrak Press Releases.

**AMTRAK FULLY ALLOCATED COST, REVENUE AND
OPERATING LOSS, PER REVENUE PASSENGER MILE -- BY ROUTE
FISCAL YEAR 1975**

Route	Total Cost ^{1/2/} Reported	Fully Allocated Cost ^{3/}	RPM's ^{2/} (Millions)	Per RPM		Fully Alloc. Profit ^{6/} (Loss)
				Fully Alloc. Cost ^{4/}	Revenue 5/	
	-----(\$ Millions)-----			-----	-----	-----
Corridor						
N. Y. - Wash. (Metro)	43.7	48.7	333.2	14.02	11.87	(2.35)
Boston-Wash. (Conv.)	70.0	74.8	537.4	13.92	6.98	(6.98)
N. Y. - Philadelphia	20.8	22.2	182.1	13.70	4.75	(8.95)
Total Corridor	134.5	143.8	1,032.7	13.91	8.13	(5.78)
Short Haul						
Chicago-Dubuque	1.1	1.2	4.2	28.57	4.78	(23.81)
L. A. - San Diego	8.7	7.2	27.7	25.99	5.42	(20.57)
Chl. - Milwaukee	4.4	4.7	19.8	23.74	6.06	(17.68)
Chl. - St. Louis	9.3	9.9	37.1	28.68	7.82	(18.86)
Seattle-Portland	3.9	4.2	14.0	30.00	8.43	(23.57)
N. Y. - Buffalo/Detroit	18.7	17.8	112.2	15.86	6.60	(9.26)
Chicago-Detroit	7.5	8.0	43.5	18.39	5.08	(13.33)
New Haven-Hart. - Springfield	3.0	3.2	6.0	53.33	8.33	(45.00)
Harrisburg-Phila.	6.4	8.8	35.5	19.15	5.83	(13.52)
Chl. - Carbondale	3.8	4.1	26.2	15.85	5.34	(10.31)
Chicago-Quincy	2.2	2.3	15.8	14.56	5.08	(9.50)
Wash. - Cumberland	1.8	1.9	6.1	31.15	4.92	(28.23)
S. F. - Bakersfield	4.1	4.4	10.0	44.00	8.00	(38.00)
Chicago-Pt. Huron	2.3	2.5	10.9	22.94	5.50	(17.44)
Minn. - Superior	0.2	0.2	1.2	16.67	8.33	(8.34)
Special Trains	0.3	0.3	4.1	7.32	7.32	-
Total Short Haul	73.7	78.7	374.3	21.03	6.12	(14.91)
Long Haul						
New Orleans-L. A.	8.6	9.2	96.1	9.57	4.68	(4.89)
Chicago-L. A.	33.1	35.3	325.2	10.85	5.54	(5.31)
Seattle-L. A.	21.0	22.4	182.1	12.30	5.71	(6.59)
Seattle-Chicago	43.9	46.9	335.1	14.00	5.81	(8.39)
S. F. - Chicago	29.3	31.3	242.8	12.89	5.81	(7.08)
Houston-Chicago	13.5	14.4	110.2	13.07	5.08	(7.99)
N. Y. - Wash. - Chicago	22.6	24.1	158.4	15.41	6.78	(8.83)
Norfolk-Wash. - Chicago	8.0	8.5	49.2	17.28	4.87	(12.61)
New Orleans-Chicago	8.4	9.0	84.3	10.88	4.83	(8.05)
Florida-Chicago	23.5	25.1	103.0	24.37	4.37	(20.00)
N. Y. - Wash. - K. C. - Denver	15.0	16.0	80.9	19.78	6.43	(13.35)
N. Y. - Florida	85.6	70.1	573.9	12.21	5.40	(6.81)
St. Louis-Laredo	4.3	4.8	21.5	21.40	5.12	(16.28)
Total Long Haul	296.8	317.0	2,360.7	13.43	5.51	(7.92)

AMTRAK FULLY ALLOCATED COST, REVENUE AND
OPERATING LOSS, PER REVENUE PASSENGER MILE -- BY ROUTE
FISCAL YEAR 1975

Route	Total Cost 1/2/ Reported	Fully Allocated Cost 3/	RPM's 2/ (Millions)	Per RPM		Fully Alloc. Profit 8/ (Loss)
	-----(\$ Millions)-----	Fully Alloc. Cost 4/		Revenue 5/	----- (Cents) -----	
<u>International</u>						
N. Y. -Montreal	2.7	2.9	12.6	23.02	7.14	(15.88)
Washington-Montreal	14.6	15.6	66.1	23.90	6.81	(17.09)
Vancouver-Seattle	1.7	1.8	4.4	40.91	6.82	(34.09)
Total International	19.2	20.5	83.1	24.67	6.68	(17.61)
System Total	524.2	559.6	3,650.6	14.54	8.30	(6.24)
Corporate Expense	35.6					
Total Expense	559.8					

NOTES:

- ^{1/} "All operating and corporate overhead functional categories" are allocated among "Routes with the exception of general corporate office expense and interest."
- ^{2/} Source: Amtrak 5-Year Plan, FY 1976-FY 1980, August 1975, Exhibit 8
- ^{3/} Cost as in column 1 but with general corporate expense and interest (\$35.6 million) allocated among routes in proportion to cost as in column 1
- ^{4/} Column 2 divided by column 3
- ^{5/} Revenue, Source re Note 2, divided by RPM's in column 3
- ^{6/} Column 5 minus column 4

**AMTRAK - TOTAL SYSTEM
REVENUE EXPENSES AND LOSS PER PASSENGER
PERIODS AS DESIGNATED**

	Year 12/31/71	Year 6/30/72	Year 12/31/72	Year 8/30/73	Year 12/31/73	Year 6/30/74	Year 12/31/74	Year 6/30/75
Revenue (000,000)	100.9	151.8	162.6	173.9	202.1	240.1	256.9	242.6 1/
Expenses (000,000)	192.9	305.3	310.1	315.7	360.7	438.0	529.6	559.8
Loss (000,000)	92.0	153.5	147.5	141.8	158.6	197.9	272.7	317.2 1/
Passengers (000)	9,915	NA	16,644	NA	16,984	16,717	18,257	15,912
Revenue/Pax (\$)	10.17	NA	9.76	NA	11.89	14.36	14.07	15.25
Expenses/Pax (\$)	19.45	NA	18.63	NA	21.24	26.20	29.01	35.18
Loss/Pax (\$)	9.28	NA	8.86	NA	9.34	11.84	14.94	19.93

1/ Excludes \$3.9 million state subsidies

Sources:

Calendar Years: KCC Annual Reports

Fiscal Years: Amtrak 5 Year Plans, August 1975 and September 1974; Report to Congress on the Rail Passenger Service Act of 1970, U. S. DOT, July 1974; and Amtrak Press Releases (Passengers).

PAYMENTS BY U. S. GOVERNMENT VS. PAYMENTS BY PASSENGERS
SELECTED AMTRAK ROUTES AND MARKETS

Route City Pairs	Passenger Revenue Per RPM (\$)	Operating Loss Per RPM 1/ (4)	Ratio: Oper. Loss To Pass. Rev. Col. (2)/Col. (1)	Local Coach Fare (\$)	Oper. Loss Per By U. S. Govt. Col. 3 & 4
Chicago-Dubuque Chicago-Dubuque	4.76	23.81	5.00	3.75	48.77
New Haven-Hart.-Spfld. New Haven-Spfld.	8.33	45.00	5.40	4.50	24.36
Washington-Cumberland Washington-Cumberland	4.92	26.23	5.33	9.50	54.85
San Francisco-Bakersfield San Francisco-Bakersfield	6.00	38.00	6.33	18.00	114.00
Florida-Chicago Miami-Chicago	4.37	20.00	4.57	74.00	338.67
Seattle-Vancouver Seattle-Vancouver	6.82	34.09	5.00	8.75	43.74

1/ Represents revenues less expenses, the latter include allocations of corporate general expenses and interest.

Source: Columns 1 and 2: Amtrak 5 Year Plans, Sept. 1974 and August 1975.
Column 4: Amtrak tariffs.

APPENDIX D

**AMTRAK'S LOSSES */ BY ROUTE
NEW VS. OLD ROUTES 1/
(\$ Millions)**

<u>Route</u>	<u>Fiscal Years</u>			
	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
<u>Short Haul 2/</u>				
New Routes	-	-	1.6	6.8
Old Routes	<u>16.1</u>	<u>11.0</u>	<u>25.9</u>	<u>41.5</u>
All Routes	16.1	11.0	27.5	48.3
<u>Long Haul</u>				
New Routes	-	-	1.6	3.5
Old Routes	<u>121.7</u>	<u>111.8</u>	<u>121.5</u>	<u>183.5</u>
All Routes	121.7	111.8	123.1	187.0
<u>International</u>				
New Routes	-	-	-	2.0
Old Routes	-	<u>5.4</u>	<u>4.7</u>	<u>12.8</u>
All Routes	-	5.4	4.7	14.8
<u>Corridor 2/</u>	<u>15.7</u>	<u>13.6</u>	<u>42.6</u>	<u>67.1</u>
<u>System Total</u>				
New Routes	-	-	3.2	12.3
Old Routes	<u>153.5</u>	<u>141.8</u>	<u>194.7</u>	<u>304.9</u>
All Routes	<u>153.5</u>	<u>141.8</u>	<u>197.9</u>	<u>317.2</u>

1/ New routes (those inaugurated after 12/31/73) are -- Short Haul: Chicago-Dubuque, Chicago-Port Huron, Minneapolis-Superior, San Francisco-Bakersfield; Long Haul: St. Louis-Laredo; Int'l: New York-Montreal.

2/ Harrisburg-Philadelphia and New Haven-Hartford-Springfield routes are included in corridor service for comparability in all years.

*/ All expenses allocated to routes, including general corporate expenses and interest.

Source: Amtrak 5 Year Plans, August 1975, Exhibit 6, and September 1974, Exhibit 3; and Report to Congress on the Rail Passenger Service Act of 1970, U.S. DOT, July 1974, Exhibit II-2.

APPENDIX E

**CHANGES IN UNIT REVENUE AND COST VS. CHANGE
IN TRAFFIC: FISCAL YEAR 1975/FISCAL YEAR 1974**

	<u>Fiscal Years</u>		<u>Change</u>
	<u>1974</u>	<u>1975</u>	<u>1975 vs. 1974</u>
Revenue (\$000,000)	240.1	242.6 ^{1/}	+ 1.0%
Costs (\$000,000)	438.0	559.8	+27.8
Loss (\$000,000)	<u>197.9</u>	<u>317.2^{1/}</u>	<u>+60.3</u>
RPM's (000,000)	4,347.4	3,850.8	<u>-11.4%</u>
Per RPM -			
Revenue	5.52¢	6.30¢	<u>+14.1%</u>
Cost	10.07	14.54	<u>+44.4</u>
Loss	4.55	8.24	+81.1

^{1/} Excludes State subsidies of \$3.9 million.

Source: Amtrak Five Year Plans, Sept. 1974 and August 1975.

AMTRAK LOAD FACTOR TO BREAKEVEN
FY 1975

<u>Route</u>	<u>Revenue</u> (\$ Millions)	<u>Fully Allocated Costs</u> (\$ Millions)	<u>RPM's</u> (Millions)	<u>Load Factor</u>	<u>Load Factor To Breakeven</u>
N.E. Corridor					
N. Y. - Wash. (Metro)	38.9	48.7	333.2	.50	.60
Boston-Wash. (Conv.)	37.4	74.8	537.4	.41	.82
N. Y. - Philadelphia	7.7	22.2	182.1	.45	1.30
New Haven-Hart. - Spgfld.	0.5	3.2	8.0	.20	1.28
Harrisburg-Phila.	2.0	8.8	35.5	.27	.92
Total	86.5	153.7	1,074.2	.43	.78
Short Haul					
Chicago-Dubuque	0.2	1.2	4.2	.13	.78
Chicago-Milwaukee	1.2	4.7	19.8	.38	1.41
Chicago-St. Louis	2.9	9.9	37.1	.36	1.22
St. Louis-Milwaukee	-	-	-	-	-
N. Y. - Buffalo/Detroit	7.4	17.8	112.2	.35	.84
Chicago-Detroit	2.2	8.0	43.5	.43	1.58
Chicago-Carbondale	1.4	4.1	26.2	.39	1.14
Chicago-Quincy	0.8	2.3	15.8	.32	.92
Wash. - Cumberland	0.3	1.9	6.1	.22	1.39
San Fran. - Bakersfield	0.8	4.4	10.0	.34	2.49
Chicago-Port Huron	0.6	2.5	10.9	.39	1.83
Minn. - Superior	0.1	0.2	1.2	.40	.80
L. A. - San Diego	1.5	7.2	27.7	.44	2.11
Seattle-Portland	0.9	4.2	14.0	.42	1.98
Special Trains	0.3	0.3	4.1	.48	.48
Other Operations	-	-	-	-	-
Total	20.4	68.7	332.8	.35	1.18
Long Haul					
Boston-Florida	-	-	-	-	-
New York-Florida	31.0	70.1	573.9	.54	1.22
Chicago-Florida	4.5	25.1	103.0	.40	2.23
New Orleans-L. A.	4.5	9.2	98.1	.50	1.02
Seattle-L. A.	10.4	22.4	182.1	.52	1.12
Seattle-San Diego	-	-	-	-	-
L. A. - Chicago	18.0	35.3	325.2	.53	1.04
Seattle-Chicago	18.8	46.9	335.1	.50	1.25

AMTRAK LOAD FACTOR TO BREAKEVEN
FY 1975

<u>Route</u>	<u>Revenue</u>	<u>Fully Allocated Costs</u>	<u>RPM's</u>	<u>Load Factor</u>	<u>Load Factor To Breakeven</u>
	(\$ Millions)		(Millions)		
San Francisco-Chicago	14.1	31.3	242.8	.50	1.11
Houston-Chicago	5.6	14.4	110.2	.43	1.11
New Orleans-Chicago	3.9	9.0	84.3	.49	1.13
Newport News/Wash. - Cincinnati-Chicago	-	-	-	-	-
Norfolk-Wash. -Chicago	2.3	8.5	49.2	.31	1.15
N. Y. -Wash. -Chicago	10.6	24.1	156.4	.56	1.32
N. Y. -Wash. -Kansas City	5.2	16.0	60.9	.40	1.23
St. Louis-Laredo	1.1	4.6	21.5	.30	1.25
Other Operations	-	-	-	-	-
Total	130.0	317.0	2,360.7	.50	1.22
International					
N. Y. -Montreal	0.9	2.9	12.6	.36	1.16
Wash. -Montreal	4.5	15.6	66.1	.41	1.42
Vancouver-Seattle	0.3	1.6	4.4	.28	1.68
Ft. Worth-Laredo	-	-	-	-	-
Total	5.7	20.5	63.1	.39	1.40
System Total	242.6	559.8	3,650.6	.46	1.06

Source: Amtrak 5 Year Plan, August 1975, Exhibit 6.

APPENDIX G

AMTRAK PROJECTED VS. ACTUAL DEFICIT^{1/}
 (\$ Millions)

	<u>Projected Deficit</u>	<u>Actual Deficit</u>	<u>% Actual Of Projected</u>
FY 1972	-	153.5 <u>2/</u>	-
1973	124.0 <u>4/</u>	141.8 <u>2/</u>	114
1974	155.0 <u>4/</u>	197.9 <u>2/</u>	128
1975	238.2 <u>2/</u>	313.3 <u>3/</u>	132
1976	396.0 <u>3/</u>	-	-
1977	478.0 <u>3/</u>	-	-

^{1/} Includes general corporate and interest expense.

^{2/} Amtrak 5 Year Plan, Sept., 1974, p. 2.

^{3/} Amtrak 5 Year Plan, August 1975, Exhibits 4, 6, 7, and 8. Includes \$3.9 million in state subsidies for FY 1975, \$5.9 million in FY 1976, and \$6.6 million in FY 1977.

^{4/} Report to Congress, the Rail Passenger Service Act of 1970, U.S. DOT, March, 1973, p. 99.

APPENDIX H
Page 1 of 4

COMPARISON OF AMTRAK'S OPERATING EXPENSE PER RPM
WITH OTHER TRANSPORTATION MODES, 1971-1974 1/

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>Total Operating Expenses per RPM's 2/</u>				
Amtrak <u>3/</u>	9.23¢	9.16¢	6.30¢	10.66¢
Airlines <u>4/</u>	6.19	6.07	6.34	7.25
Intercity Buses <u>5/</u>	3.35	3.54	3.67	4.06

1/ Calendar years.

2/ Based on ratio of operating expense to operating revenue and applied to passenger revenue per RPM. (Subsidy payments have been excluded from local service revenues.) Costs shown are those estimated to be applicable solely to passengers.

3/ Per I. C. C. Annual Reports.

4/ Per C. A. B. Air Carrier Financial and Traffic Statistics Domestic Trunks plus Local Service.

5/ Per Bus Facts 1974 Statistical Supplement, NAMBO.

APPENDIX H

Page 2 of 4

FULLY ALLOCATED COST PER RPM FOR ALL AMTRAK SERVICES^{1/}

Route	Fiscal Years			
	1972	1973	1974	1975
-----c-----				
<u>N. E. Corridor</u>				
N. Y. - Wash. (Metro)	-	-	12.02	14.02
Boston-Wash. (Conv.)	-	-	9.52	13.92
N. Y. - Philadelphia	-	-	11.25	13.70
New Haven-Hart. -				
Spgfld. */	-	-	38.48	53.33
Harrisburg-Phila. */	-	-	12.93	19.15
Total	8.9	8.3	10.84	14.30
<u>Short Haul</u>				
Chicago-Dubuque	-	-	25.00	26.57
Chicago-Milwaukee	-	-	28.04	23.74
Chicago-St. Louis	-	-	10.29	26.68
St. Louis-Milwaukee	18.4	6.9	14.87 3/	25.88 3/
N. Y. - Buffalo/Detroit	18.4	12.0	12.08	15.66
Chicago-Detroit	20.7	13.6	12.77	16.39
Chicago-Carbondale	-	-	11.91	15.65
Chicago-Quincy	12.5	8.9	13.19	14.56
Wash. - Cumberland	40.0	63.3	29.51	31.15
San Francisco-				
Bakersfield	-	-	20.69	44.00
Chicago-Port Huron	-	-	-	22.94
Minn. - Superior	-	-	-	18.87
L. A. - San Diego	-	-	10.44	25.99
Seattle-Portland	-	-	15.32	30.00
Special Trains	-	-	-	7.32
Other Operations	-	-	-	-
Total	18.1	11.7	13.48	20.64
<u>Long Haul</u>				
Boston-Florida	10.2	9.7	-	-
New York-Florida	-	-	10.03	12.21
Chicago-Florida	20.7	17.8	14.58	24.37
New Orleans-L. A.	8.8	8.4	8.55	9.57
Seattle-L. A.	-	-	6.64	12.30
Seattle-San Diego 2/	17.1	8.2	8.01 3/	15.10 3/
L. A. - Chicago	7.6	8.5	8.81	10.85
Seattle-Chicago	8.8	9.5	9.41	14.00
San Francisco-Chicago	9.1	8.2	7.78	12.89
Houston-Chicago	12.2	10.9	9.10	13.07
New Orleans-Chicago	10.5	8.5	9.61	10.88

APPENDIX H

Page 3 of 4

FULLY ALLOCATED COST PER RPM FOR ALL AMTRAK SERVICES^{1/}

Route	Fiscal Years			
	1972	1973	1974	1975
	----- ¢ -----			
Newport News/Wash.				
Cincinnati-Chicago	33.2	20.0	-	-
Norfolk-Wash. -				
Chicago	-	-	20.97	17.28
N. Y. - Wash. - Chicago	16.0	14.0	10.24	15.41
N. Y. - Wash. - Kansas				
City	35.3	17.7	12.26	19.78
St. Louis-Laredo	-	-	18.18	21.40
Other Operations	28.4	11.4	-	-
Total	11.2	10.1	9.34	13.43
International				
N. Y. - Montreal	-	-	-	23.02
Wash. - Montreal	-	15.5	10.46	23.90
Vancouver-Seattle	-	32.0	22.95	40.91
Ft. Worth-Laredo	-	25.0	-	-
Total	-	17.8	11.24	24.67
System Total	10.8	9.8	10.07	14.54

*/ These two markets are included in the total Northeast Corridor figures shown for F. Y. 1972 and 1973. For comparable purposes they continue to be treated in F. Y. 1974 and 1975 as Northeast Corridor markets although Amtrak regarded them as short haul markets in their route analysis for 1974 and 1975.

1/ Direct route operating costs; plus semi-fixed costs, general corporate office expense, and interest allocated among routes in proportion to direct route operating costs; divided by RPM's.

Sources of direct, semi-fixed, corporate, and interest costs, and RPM's--

1975 - "Amtrak 5 Year Plan," Aug. 1975, Exhibit 6.

1974 - "Amtrak 5 Year Plan," Sept. 1974, Exhibit 3.

1973 - Costs - "1973 Annual Report," National Railroad Passenger Corporation, July 1974, U.S. DOT, Exhibit III-3, pp. 13-14.

RPM's - "Report to Congress on the Rail Passenger Service Act" July 1974, U.S. DOT, Exhibit III-3, pp. 13-14.

1972 - Direct route costs calculated by subtracting direct route profit from revenue. Revenue calculated by multiplying revenue per RPM by RPM's.

APPENDIX H
Page 4 of 4FULLY ALLOCATED COST PER RPM FOR ALL AMTRAK SERVICES^{1/}

1/ (continued)

Source: Revenus Per RPM and Direct Route Profit - "Report to Congress on the Rail Passenger Service Act," July 1974, U.S. DOT, Exhibit II-2, pp. 5-6. RPM's - Ibid., Exhibit III-3, pp. 13-14.

2/ Includes San Diego-L. A. , Seattle-L. A. , and Seattle-Portland service.

3/ For comparison purposes only. Not included in total.

APPENDIX I

**COMPARATIVE REVENUE PER REVENUE PASSENGER MILE
AMTRAK VS. AIR (DOMESTIC TRUNK PLUS LOCAL SERVICE)
AND BUS (CLASS I, INTERCITY REGULAR ROUTE)**

	<u>Passenger Revenue (\$000)</u>	<u>Rev. Pass. Miles (000)</u>	<u>Average Revenue Per RPM</u>
Amtrak 1/			
1971 *	86,221	1,894,004	4.55¢
1972	137,911	3,038,603	4.54
1973	187,314	3,808,511	4.40
1974	222,593	4,258,806	5.23
Air 2/			
1971	8,840,803	105,807,828	8.29
1972	7,454,717	117,089,358	8.37
1973	8,253,531	125,181,783	8.59
1974	9,601,358	128,424,402	7.47
Bus 3/			
1971	540,100	14,104,000	3.83
1972	540,300	13,578,000	3.98
1973	562,400	13,898,000	4.05
1974	644,300	14,800,000	4.41

1/ Source: I. C. C. Annual Reports.

2/ Source: C. A. B. Forms 41.

3/ Source: "Bus Facts," NAMBO.

* All years shown are calendar years.

APPENDIX J

**NUMBER OF WEEKLY ROUNDTrips OPERATED
BY INDIAN TRAILS AND AMTRAK**

	Number Of Weekly Roundtrips			
	Chicago-Kalamazoo		Kalamazoo-Flint	
	<u>Indian Trails</u>	<u>Amtrak</u>	<u>Indian Trails</u>	<u>Amtrak</u>
<u>Date of Schedule Changes</u>				
January 1973	58	14	50	0
June 1973	73	14	50	0
September 1973	60	14	51	0
October 1973	57	14	50	0
June 1974	77	14	50	0
September 1974	59	21	50	7
February 1975	59	21	37	7
April 1975	59	27	36	7
June 1975	64	27	42	7
September 1975	52	27	36	7
October 1975	51	28	36	7
November 1975	50 ^{1/}	28	35 ^{1/}	7

^{1/} In addition to the trips shown, 14 operate Chicago-Lansing-Flint nonstop bypassing Kalamazoo.

APPENDIX K

COMPARISON OF BEST ELAPSED TIMES ON THE
CHICAGO-FLINT ROUTE, INDIAN TRAILS VS. AMTRAK

		<u>Best Elapsed Times</u>	
		<u>Indian Trails 1/</u>	<u>Amtrak 2/</u>
<u>Chicago</u>			
	Kalamazoo	3:00	2:43
	Battle Creek	3:45	3:20
	Lansing	3:45	4:35
	Flint	5:00	5:49
<u>Kalamazoo</u>			
	Battle Creek	0:35	0:33
	Lansing	1:45	1:47
	Flint	3:10	3:01
<u>Battle Creek</u>			
	Lansing	1:05	1:15
	Flint	2:20	2:29
<u>Lansing</u>			
	Flint	1:10	1:14

1/ Schedules effective Nov. 19, 1975.

2/ Schedules effective Nov. 30, 1975.

APPENDIX L

CHANGES IN INDIAN TRAILS' MONTHLY BOARDINGS
OVER THE CORRESPONDING MONTH OF THE PRIOR YEAR
JANUARY 1970 - OCTOBER 1975

	Percent Change Over Prior Year - Indian Trails' System Boardings					
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
January	N. A.	-0.2%	-2.3%	-8.4%	+6.9%	<u>-17.6%</u> */
February	N. A.	+4.3	-4.5	-5.9	+7.5	<u>-23.1</u> */
March	+8.6%	-5.9	+4.1	-11.4	+9.6	<u>-22.0</u> */
April	-3.9	+8.5	-5.3	-4.7	+3.1	<u>-28.8</u> */
May	+8.0	-1.4	-7.3	-5.7	+5.7	<u>-16.7</u> */
June	+4.6	-0.8	-5.2	-2.0	+0.3	<u>-18.6</u> */
July	+5.2	+5.0	-12.6	-2.1	-3.6	<u>-12.7</u> */
August	+0.9	+2.8	-10.4	+0.6	-5.0	<u>-11.5</u> */
September	+4.9	+3.2	-8.2	-5.2	-6.5	<u>-12.0</u> */
October	-1.5	+5.1	<u>-11.3</u>	-3.5	-8.9 */	<u>-5.9</u> 1/ */
November	-4.4	+1.1	-4.0	-1.5	<u>-19.3</u> */	
December	+1.6	-1.6	-0.6	-0.4	<u>-11.9</u> */	
12 Months Ended September		+1.0	-4.4	-4.9	+0.7	<u>-16.8</u>

Note: Largest year to year losses underscored for each month.

1/ Represents decline from a depressed traffic level.

*/ Dates with Amtrak service for full month.

Source: Company Records

APPENDIX M

**COMPARATIVE FARE HISTORY OF INDIAN TRAILS
AND AMTRAK IN THE CHICAGO-KALAMAZOO/FLINT MARKETS**

	<u>Indian Trails</u>		<u>Amtrak</u>	
	<u>Kalamazoo</u>	<u>Flint</u>	<u>Kalamazoo</u>	<u>Flint</u>
Prior to February 5, 1970	\$6.35	\$12.00		
February 5, 1970	7.00	13.20		
April 1, 1971	7.35	13.85		
May 15, 1972	7.70	14.55		
August 13, 1973	7.95	15.00		
January 11, 1974	8.05	15.15		
February 13, 1974	8.45	15.90		
June 7, 1974	8.60	16.20		
August 1, 1974	8.80	16.50		
September 15, 1974			\$7.75	\$13.50
December 12, 1974	9.50	17.80		
December 26, 1974	9.30	17.45		
May 30, 1975	10.25	19.20		
July 1, 1975	7.70	13.45		
December 15, 1975			8.75	15.00
January 9, 1976	8.70	14.95		

APPENDIX N

COMPARATIVE TRAFFIC AND TAXPAYER ASSISTANCE
YEAR 1974

	Passengers (000,000)	Passenger- Miles (000,000)	Taxpayer Assistance Dollars (\$000)	Per Psgr. Per Psgr.	Per Psgr. Mile
<u>AMTRAK</u>	18	4,259	272,700	14.90	6.40 ^{1/}
<u>Bus - Regular</u>					
Route, Inter City	155	14,600			
<u>Air-Domestic</u>					
(Excluding Alaska)					
Local Service	35	11,127	68,508	\$ 1.93 ^{2/}	0.62¢ ^{2/}
Trunks	150	121,314			
Other	1	677			
	<u>186</u>	<u>133,118</u>			

- ^{1/} If railroad buy-in payments were used for operating purposes rather than for capital improvements, this figure would be reduced to 6.0¢.
- ^{2/} Approximately 32% of the Local Service Industry traffic moved over subsidy-eligible routes. Accordingly, the subsidy applicable to subsidy-eligible traffic only would be \$6.03 per passenger or under 2¢ per passenger-mile.

Sources: AMTRAK-ICC Reports, Year 1974

Bus - NAMBO "Bus Facts"

Air - CAB "Traffic Statistics" and "Financial Statistics"

Mr. ROONEY. Thank you, Mr. Currey.

STATEMENT OF WILLIAM P. HIMBURG

Mr. HIMBURG. Thank you very much, Mr. Chairman, for the opportunity of appearing before this committee. My name is William P. Himburg and I am president of Indian Trails, Inc., of Owosso, Mich. I appreciate this opportunity to appear before you and to explain the impact of subsidized Amtrak competition on a small intercity bus operator.

Indian Trails started in 1912 as a passenger and baggage transfer service between the rail-head at Durand, Mich. and the Owosso, Mich., hotels. It has over the years gradually expanded its regular route until it now serves over 82 stations and many more communities across the State of Michigan into Indiana and Chicago, Ill., and also into Detroit from the "Thumb" area. Under its charter and tour authorities it serves Michigan passengers to all continental States of the United States as well as all provinces of Canada.

Indian Trails is a relatively small bus company. Our gross operating revenues in 1975 amounted to only \$3,367,510. Our regularly scheduled intercity service is competitive with that of Amtrak. Gross revenues from that service in 1975 amounted to \$1,604,728 or 48 percent of our total operating revenue.

Indian Trails owns and operates 36 intercity buses, the average age of which is only 4 years. The cost of a new bus is approximately \$93,000. We want to provide in the future, as we have in the past, the best possible service in the most modern equipment available.

At the beginning of this year Indian Trails had 107 employees, including 49 drivers. The average number of persons employed throughout 1975 was 129.

As shown by the chart on the easal, Amtrak's route between Chicago and Port Huron, Mich., is directly competitive with the major routes of Indian Trails between Chicago and Flint, Mich., via Kalamazoo, Battle Creek, and Lansing. Amtrak's Chicago-Detroit service is competitive with our schedules between Chicago and Kalamazoo.

Amtrak's competitive rail service over our prime routes was launched on September 15, 1974. Amtrak was required by section 403(b) of the Rail Passenger Service Act of 1970 to institute service between Chicago and Port Huron because the State of Michigan requested the service and agreed to reimburse Amtrak for two-thirds of the losses incurred in providing it. Since Amtrak was required as a matter of law to institute the service, I naturally do not criticize it for doing so.

During 1973 and early 1974 Indian Trails provided 56 to 77 round trip schedules a week between Chicago and Kalamazoo and 50 round trip schedules between Kalamazoo and Flint. Following the introduction of Amtrak's competitive rail service the frequency of our service has been curtailed, as shown by attachment A to this statement. As shown by attachment B, the elapsed times involved in using rail and bus service are not significantly different.

Amtrak's competition has had a severe economic impact on the traffic and revenues of my company. The next chart and attachment C to my statement show the decline in the number of passengers carried by Indian Trails since Amtrak inaugurated its service on September 15, 1974. The loss of an average of one or two passengers per bus is often the difference between a deficit bus operation and one that is profitable.

Not only has Amtrak diverted traffic from Indian Trails but its depressed fare level has prevented Indian Trails from achieving a reasonable rate of return on the reduced amount of service being provided. The next chart on the easel and attachment D show the extent to which Amtrak undercut the fares of Indian Trails when it instituted service between Chicago and Kalamazoo/Flint. As a result of Amtrak's subsidized competition and its predatory pricing policy, Indian Trails was forced to lay off employees for the first time in its history. Our net operating revenues declined from \$430,428 in the first three quarters of 1974, before Amtrak commenced operations between Chicago and Port Huron, to only \$157,582 in the first three quarters of 1974. Our net operating revenue for 1975 was only \$110,425 as compared with \$355,917 for 1974 and \$255,445 for 1973.

Indian Trails operating ratio for 1975 was 96.7 percent which, by any standard, produces an inadequate rate of return.

Amtrak lost approximately \$1.9 million on its Chicago-Port Huron operation during fiscal 1975. The fully allocated cost of that service was 22.9 cents per revenue passenger mile, of which Amtrak's passengers paid only 5.5 cents per mile.

While it is true the State of Michigan has recognized the plight of our company by entering into an Operating Grant contract, effective November 19, 1975, for additional express bus service between Saginaw, Flint, Lansing, and Chicago, at this time it certainly would be premature for me to indicate success or failure in this program. Past experience in this business normally requires many months of operation before any new schedule service can be evaluated.

However, initial results which cover the peak traffic period of Thanksgiving does show a substantial loss when compared to just average system "wheel" cost without evaluation of the inefficient use of men and buses necessary.

I believe the Congress acted wisely when it included in the Amtrak Improvement Act of 1975 a procedure under which Amtrak may discontinue passenger train service, including service required to be instituted by Amtrak at the request of a State under the provisions of section 403(b) of the act. I hope the Congress will permit that procedure to become effective, although I agree with other bus industry witnesses that Amtrak's criteria for the discontinuance of passenger train service should be made more definite.

Amtrak did not voluntarily initiate the service which threatens the existence of Indian Trails. Since that subsidized service satisfies no significant public need and involved a wasteful expenditure of public funds, Amtrak should discontinue it if permitted to do so.

Thank you.

[The attachments referred to follow:]

[ATTACHMENT A]

NUMBER OF WEEKLY ROUNTRIPS OPERATED BY INDIAN TRAILS AND AMTRAK

Date of schedule changes	Number of weekly roundtrips			
	Chicago-Kalamazoo		Kalamazoo-Flint	
	Indian Trails	Amtrak	Indian Trails	Amtrak
January 1973.....	58	14	50	0
June 1973.....	73	14	50	0
September 1973.....	60	14	51	0
October 1973.....	57	14	50	0
June 1974.....	77	14	50	0
September 1974.....	59	21	50	7
February 1975.....	59	21	37	7
April 1975.....	59	21	36	7
June 1975.....	64	27	42	7
September 1975.....	52	27	36	7
October 1975.....	51	28	36	7
November 1975.....	150	28	135	7

¹ In addition to the trips shown, 14 operate Chicago-Lansing-Flint nonstop bypassing Kalamazoo.

[ATTACHMENT B]

COMPARISON OF BEST ELAPSED TIMES ON THE CHICAGO-FLINT ROUTE, INDIAN TRAILS VS. AMTRAK

	Best elapsed times	
	Indian Trails ¹	Amtrak ²
Chicago:		
Kalamazoo.....	2:55	2:43
Battle Creek.....	3:45	3:20
Lansing.....	3:50	4:35
Flint.....	5:00	5:49
Kalamazoo:		
Battle Creek.....	0:35	0:33
Lansing.....	1:35	1:47
Flint.....	3:00	3:01
Battle Creek:		
Lansing.....	1:00	1:15
Flint.....	2:20	2:29
Lansing: Flint.....	1:10	1:14

¹ Schedules effective Nov. 19, 1975.

² Schedules effective Nov. 30, 1975.

[ATTACHMENT C]

CHANGES IN INDIAN TRAILS' MONTHLY BOARDINGS OVER THE CORRESPONDING MONTH OF THE PRIOR YEAR
JANUARY 1970-OCTOBER 1975

	Percent change over prior year—Indian Trails' system boardings					
	1970	1971	1972	1973	1974	1975
January.....	(¹)	-0.2	-2.3	-8.4	+6.9	² -17.6
February.....	(¹)	+4.3	-4.5	-5.9	+7.5	² -23.1
March.....	+8.6	-5.9	+4.1	-11.4	+9.6	² -22.0
April.....	+3.9	+8.5	-5.3	-4.7	+3.1	² -28.8
May.....	+8.0	-1.4	-7.3	-5.7	+5.7	² -16.7
June.....	+4.6	- .8	-5.2	-2.0	+ .3	² -18.6
July.....	+5.2	+5.0	-12.6	-2.1	-3.6	² -12.7
August.....	+ .9	+2.8	-10.4	+ .6	-5.0	² -11.5
September.....	+4.9	+3.2	-8.2	-5.2	-6.5	² -12.0
October.....	-1.5	+5.1	-11.3	-3.5	² -8.9	² -5.9
November.....	-4.4	+1.1	-4.0	-1.5	² -19.3	
December.....	+1.6	-1.6	- .6	- .4	² -11.9	
12 months ended september.....		+1.0	-4.4	-4.9	+ .7	-16.8

¹ Information not available.

² Dates with Amtrak service for full month.

³ Represents decline from a depressed traffic level.

Note.—Largest year-to-year losses underscored for each month.

Source: Company records.

[ATTACHMENT D]

COMPARATIVE FARE HISTORY OF INDIAN TRAILS AND AMTRAK IN THE CHICAGO-KALAMAZOO/FLINT MARKETS

	Indian Trails		Amtrak	
	Kalamazoo	Flint	Kalamazoo	Flint
Prior to Feb. 5, 1970	\$6.35	\$12.00		
Feb. 5, 1970	7.00	13.20		
Apr. 1, 1971	7.35	13.85		
May 15, 1972	7.70	14.55		
Aug. 13, 1973	7.95	15.00		
Jan. 11, 1974	8.05	15.15		
Feb. 13, 1974	8.45	15.90		
June 7, 1974	8.60	16.20		
Aug. 1, 1974	8.80	16.50		
Sep. 15, 1975			\$7.75	\$13.50
Dec. 12, 1974	9.50	17.80		
Dec. 26, 1974	9.30	17.45		
May 30, 1975	10.25	19.20		
July 1, 1975	7.70	13.45		
Dec. 15, 1975			8.75	15.00
Jan. 9, 1976	8.70	14.95		

Mr. HIMBURG. Now, that is the substance of my prepared statement. I would like to just make a few personal comments and attempt to answer any questions you may have, sir, to acquaint you again with our operation.

If we might flip back to the route map, the amount of service that the Grand Trunk presently runs, that is from Port Huron, Flint, to Chicago, is one round trip schedule. That was, as I said, initiated on September 15, 1974. They intend to institute one more round trip in April of 1976. This trip has been postponed because of a lack of equipment, but it is now my understanding it will be on and going in April. When the original notice was made public of Amtrak's intent to operate, or reinstitute service on the Grand Trunk, they also published their intended fare schedule which naturally is substantially below our present schedule. I, of course, made my feelings known to both the State and Federal levels. I might add that the State of Michigan was greatly concerned by the differential in fare and they did attempt to see to it that our fares were not jeopardized.

I do have correspondence to that extent. However, the Federal Amtrak did prevail and the fares, as published originally a year prior to September of 1974, were placed in effect.

I want to add also that our operating ratio for the last 5 years has ranged, up until or through 1974, has ranged from 19.7 to 96.2. For the last 12 months, September 30, 1974 through October 1, 1975, the direct operating ratio is 102.5.

I arrived at that ratio by taking out—well, we do have other supplemental revenues other than the bus operations, to give you an idea of the direct ratio as we are affected. If we will flip to the last fare chart, this indicates our fare structure as we have raised our fares over a period of years since early in January, January 1, 1970.

You will note how we have adjusted our fares both on Chicago-Flint and Chicago-Kalamazoo operations. It graphically shows how the lower fare was effected on Amtrak and, of course, in July of 1975, we made the decision to directly compete farewise with Amtrak and dropped our fares to the same equivalent level.

Of course, the decision to do this naturally was a very difficult one, because, based on our past experience, we had shown a reasonable rate of return. However, it was quite evident that we must compete and we must allow ourselves, or force ourselves to have the same fare, and we have, since that time, been experiencing losses.

Mr. ROONEY. I wonder if you could give the committee the cost per mile busfare in an area that is not served by Amtrak?

Mr. HIMBURG. In an area that is not served by Amtrak?

Mr. ROONEY. Yes.

Mr. HIMBURG. Well, our fares, prior to Amtrak, were in the neighborhood of slightly in excess of 6 cents per mile. Now they came in at 5½ cents, which caused us to drop back eventually to that mileage cost. I am not well versed in any other areas other than Michigan.

Mr. ROONEY. Is there anybody else on the panel that wishes to comment on that?

Mr. CURREY. Yes. The cost per bus mile in the industry in total is right at a nickel a mile. If you visualize the map, the cost per bus mile varies according to two factors.

One is geographic location of the country, having to do with the higher labor costs in some areas of the country, as opposed to others. So in some areas of the country the cost per mile might be as high as 6 or 7 cents a mile. In other areas of the country it might be as low as 4 cents a mile, if we were speaking in the southern sector. Moving out to California and the mountains, for instance, out of Denver, over the Rockies, you have a much higher cost per mile because the fuel mileage is less.

Mr. SKUBITZ. Will you yield.

Mr. ROONEY. I will be glad to yield.

Mr. SKUBITZ. Why did you skip the Midwest? You jumped from coast to coast. What are the rates in the Midwest?

Mr. CURREY. They are probably close to that nickel a mile level, Congressman. I cannot give you a specific route.

Mr. SKUBITZ. Would it be lower or above the 5 cents?

Mr. CURREY. I would say they are right around the nickel-a-mile area through the middle part of the country, higher on the east coast, higher on the west coast and lower on the southeast. Here you see cost per mile directly related to revenue. [Mr. Currey pointed.]

And these are just 1971 through 1974. You see that cost per mile overall is 4.1 cents and revenue was 4.4 cents in 1974 in the bus industry.

And, of course, what has happened in the industry, vis-a-vis Amtrak, is that in those areas in which Amtrak is directly competing with the bus industry, the fares have dropped even lower than costs with no relationship to what the cost of providing the service is. We cannot operate that way, frankly.

I mean we have to put fares in line with what the cost of providing the service is. We do not see any particular pattern that establishes the fare structure of Amtrak. It is clearly a situation that is out of control.

Mr. ROONEY. Thank you.

Mr. HIMBURG. I would like to add one further point to the manner in which the Amtrak situation is operated in Michigan, particu-

larly with reference to the Grand Trunk, which is the operation which Michigan and Amtrak share in cost. The terminal costs themselves are provided and paid for by the community and this was made quite clear when the service was initiated.

Therefore, I feel quite confident that the total cost of this operation would be considerably more if these sales costs were taken into consideration. I know, from my own experience, that our terminal costs at our major terminals, namely Flint, Lansing, Battle Creek, Kalamazoo, Chicago, run in the neighborhood of 25 to 30 cents on the dollar.

If you intend to provide any type of adequate service to the customer, then this is a normal figure you can expect in properly rendering that service. I am sure if these costs were taken into consideration by Amtrak, their costs would be substantially higher.

Mr. ROONEY. Thank you.

STATEMENT OF JOHN E. ADKINS

Mr. ADKINS. Mr. Chairman, I appreciate the opportunity to speak before this committee.

I am John E. Adkins, executive vice president of Greyhound Lines, Inc.

Greyhound Lines is the largest intercity busline in the United States. It is the recognized industry leader. We are proud to be a part of an industry which has fostered and developed the finest highway transportation system in the world.

Although Greyhound Lines feels strongly that the intercity bus industry is capable of meeting most of this country's surface transportation needs, we are not opposed to Amtrak. We did not oppose its creation. Our success over the years has come from the strong recognition that public convenience and service are essential. This philosophy extends to the concept of all transportation modes—air, rail, bus—working together with each mode doing what it can do best.

Each mode has its own inherent advantages. Each mode has its own opportunities. But each mode must pay its own way. The United States needs a balanced transportation system in which the service performed by the several modes fills a market need and has a reasonable chance of breaking even.

Clear and definite criteria should be established for operating passenger trains at a loss. No such standards appear in the discontinuance criteria submitted to the Congress by Amtrak on October 29, 1975. It is not necessary to operate all trains at a profit or even at a break-even point. But if a train is operated at a loss, it should be at a predetermined loss per mile figure not to be exceeded and should show an improvement over a 3- to 5-year period.

With the exception of the heavily populated Northeast corridor, there are very few routes operated by Amtrak today that will ever achieve break-even status, let alone generate a profit.

In 1970, the Congress created The National Railroad Passenger Corporation, now known as Amtrak, as a for-profit corporation. On that basis, we welcomed Amtrak as a competitor and a potential contributor to a balanced transportation system.

As confirmation of our attitude toward Amtrak several of Greyhound's top executives met with Amtrak officials here in Washington, D.C. to outline our views on how we could work together in the development and implementation of the intermodal concept which we believe is necessary to be responsive to public demand.

We proposed interline ticketing arrangements which would permit a passenger to travel by rail and then to transfer to bus for the balance of his trip not served by Amtrak. We suggested joint terminal facilities to expedite the transfer of passengers and baggage from one mode to the other and to reduce operating costs for both. We advanced the idea of coordination of schedules to make it as convenient as possible for travelers to avail themselves of combined services. We proposed a comprehensive leisure travel program using combination rail/bus service so that persons desiring to originate their trip by train could still reach and enjoy national parks and other travel attractions not directly served by Amtrak.

We saw many opportunities for cooperation. Unfortunately, Amtrak's management apparently did not share our optimism. We did, however, persist and in June 1974 Amtrak finally agreed to the execution of an interline agreement which provided for the optional honoring of tickets over certain routes and the institution of through rail/bus ticketing.

Greyhound vigorously pursued the goal of intermodal coordination and compiled comprehensive reference material for the use of Amtrak sales and reservations personnel. I am sorry to report the effort failed. Why? Mr. Reistrup answered that question in September 1975 when he was asked the extent to which Amtrak had cooperated with the bus industry. Mr. Reistrup said, Amtrak had cooperated with the bus industry. Mr. Reistrup said, and I quote: " * * * I would say that it has not been as aggressively promoted as it should have been and it is largely Amtraks' fault * * * maybe there is a place for buses and Amtrak to get together for better transportation." Mr. Reistrup was correct, on both counts. Revenues generated by the interline agreement were virtually nil. There certainly is a place for buses and Amtrak to get together.

Encouragingly, Greyhound now has opened a new dialog with Amtrak on joint bus-rail service into the State of Maine, which is not served by Amtrak. Again, we will aggressively support the concept of intermodal cooperation. Our hope is that Amtrak will do the same.

The news media has consistently quoted Amtrak executives to the effect that their basic marketing objectives are not to divert passengers from the buslines, or the airlines, but from the private automobile.

We have some doubts about the sincerity of their statements. Using tax dollars to support its operations, Amtrak has repeatedly reduced its fares below those of the buslines. One act of predatory pricing was in December 1971. in the highly traveled Northeast corridor where Amtrak cut its Boston-New York fare almost 22 percent and advertised "even less than bus." Since we had to protect our competitive interests, we were forced to reduce our fares below those of Amtrak. The result was not additional traffic from the private auto-

mobile, but a severe diminution in our revenue. These serious revenue losses have been paid for in loss of jobs by bus industry workers whose tax payments helped create Amtrak in the first place.

The same predatory pricing policy was followed with the introduction of the Lake Shore limited between Boston and Chicago last October where Amtrak lowered its fares below those of the busline and even below the rail fares being charged at the time Amtrak service on the route was discontinued in 1971. There was an obvious disregard for rapidly escalating costs which had taken place between 1971 and 1975.

We have been told that Amtrak's justification for the depressed fare structure on the Lake Shore limited was the fact that the equipment assigned to the route did not meet Amtrak's normal service standard; that it was an inferior travel product for which the passenger would not pay a normal fare. If this is true, conversely Amtrak should be charging premium fares on their turboliners between Chicago and Detroit and Chicago and St. Louis just as they are doing on the metroliners, which they are not.

I would like to add here at this point that Greyhound, by having to reduce its fares on our Boston-Chicago and New York-Chicago route had to reduce its revenues \$1 million alone, in order to meet these fares which had been established.

If we maintain the same passenger level, we will have \$1 million less revenue a year, simply because we had to meet that fare.

We are confused by the inconsistencies in Amtrak's pricing policies, and I suspect you may be, too.

Effective February 15, 1976, Amtrak will again reduce the fares on their conventional trains in the Northeast corridor. These new round trip fares are based on 150 percent of their present one-way fares, considerably below those of existing bus fares. Again, we have estimated that our revenue reduction by meeting these fares will be over a quarter of a million dollars a year. Again, if we are to protect our competitive interests, we must lower our fares and this we will do.

Now, I would like to divert again and say I have just been informed February 15, Amtrak is reducing more fares—New York to Miami, for example; they are putting in a round trip rate excursion for \$99 and the present fare is \$144. That is a \$45 reduction or 31.25 percent, and are reducing all fares to Florida from 18 to 31 percent.

Chicago to Miami, the Floridian service, which we heard about, the one-way fare is normally \$74 and they dropped it to \$49.90, a \$24.10 drop, 32.6 percent. They will have to generate 40 to 45 percent more passengers to make up for the revenue they are losing by cutting their fares. This will mean also, of course, we have to cut our fares, which means if we hold on to the same number of passengers, our revenue will drop and we can't afford it.

Amtrak's actions will cost the bus lines badly needed revenue and the end result will be a layoff of employees—employees who will recognize the use of their own tax dollars to eliminate their jobs. There will be fewer tax dollars available to the government. Nobody can win a race to nowhere.

What is the economic justification for rail passenger service for which operating costs are two to three times greater than passenger

revenues? How long can we expect the American taxpayer to continue contributing hundreds of dollars to operate hopelessly unprofitable trains?

While these questions remain unanswered, the intercity bus industry which represents an economical, energy-efficient alternative finds its tax dollars being used to compete against itself. No industry, regardless of its financial base, or the efficiency of its management can long survive in such an environment.

As the economic base of the bus industry is threatened, also being threatened is the service to thousands of small communities throughout the United States served by bus routes on which traffic is thin at best and profits are marginal or nonexistent. Continuation of such service is frequently possible only because of profits obtained from through service between larger communities and from other bus services like charter operations and transportation of package express. Erosion of bus traffic on routes served on a subsidized basis by Amtrak will result in reduction or termination of bus service to hundreds of communities not served by Amtrak.

Nevertheless, something constructive can be done to put Amtrak back on the right track—on the track that we believe the Congress intended and that is to provide rail passenger service that the public would use and be willing to pay for.

Is there a role for Amtrak to play in helping to solve our Nation's mobility problems? We believe there is. Because I am pointing out the shortcomings of Amtrak, you have probably concluded that I am of the opinion that Amtrak should be given a decent burial and forgotten. I assure you that I am not of that mind.

We at Greyhound and I believe the bus industry as a whole, believe that railroad passenger service, which contributed so much to the development of our Nation and of the entire transportation industry, deserves a fate other than total extinction.

We believe Congress should authorize Amtrak to discontinue routes and services so that it can be held responsible for operating within a budget. There should be no political pressures to operate rail service that is unnecessary and that cannot possibly pay its way.

That is why I am respectfully recommending to this committee the acceptance of the position taken by the National Association of Motor Bus Owners (NAMBO) with regard to the specific revenue standard formula.

Greyhound Lines affirmatively supports the NAMBO premise that in fiscal year 1977 rail passenger subsidies should not exceed 50 percent of the cost of operations and that progressive reductions of subsidies be made at the rate of 5 percent a year until such subsidies reach not more than 25 percent of Amtrak's operating costs.

Certainly the adoption of such criteria would in itself require that Amtrak's service be limited to those routes for which there are service demands at realistic fares.

Thank you for the opportunity to state our views.

Mr. ROONEY. Thank you, Mr. Adkins.

Now we will hear from James E. Reinke, vice-president of Government Affairs, Eastern Airlines, who is a graduate of a college in my district, Bethlehem, Pa.

STATEMENT OF JAMES R. REINKE

Mr. REINKE. Thank you, Mr. Chairman.

You already have a copy of my remarks and if you prefer, I will just make a few additional comments.

Mr. ROONEY. You can do whatever you wish, Mr. Reinke.

Mr. REINKE. Since you already received our statement, sir, I will make just a few comments.

Originally, our primary objection, insofar as competition by Amtrak Metroliners in the Northeast corridor, the gentleman that just spoke about them putting in the Miami market a reduced fare of \$95 a round trip and this is \$45 one way, a lot of people think that because Eastern Air Lines is a pretty big outfit, for example, we carried over 27 million passengers for 18, 18.3 billion passenger miles last year and we serve a very large segment of the country, 80 percent of the industrial part of the country, they think that we have lots of extra money.

Nothing could be further from the truth. We have been impacted severely by fuel costs, and now we are getting increased competition from Government subsidized carriers which operate where plenty of other service is available.

I would just like to mention in the Northeast corridor, where Eastern operates the air shuttle, we have, as competition right now, the superhighways, including the private automobile, Greyhound and Continental Trailways, Amtrak and the Metroliner, and there are 12 other scheduled airlines that have authority to operate between these terminals and on top of that we have a Government subsidized operation which operates below cost and charged a non-compensatory fare in competition with private industry.

Mr. Chairman and Mr. Skubitz, I submit that is not equitable and I do not think that is in the public interest. Why should the people all over the United States have to pay taxes to pay a subsidy for this kind of service?

[Mr. Reinke's prepared statement follows:]

STATEMENT OF JAMES E. REINKE, VICE PRESIDENT, EASTERN AIR LINES, INC.

Eastern's position in this hearing is that rail transportation in the United States is a vital part of the economy of this nation and that it must be preserved and strengthened. I refer to that portion of the rail industry which is engaged in the transportation of goods and which—for the most part—can be operated profitably without government subsidy. Also its regulators have been reasonably responsive to its need to adjust freight rates to compensate for rising costs such as fuel, labor and inflation generally.

However, when the rails attempt to return to the business of carrying passengers in direct competition to privately financed modes of transportation—using taxpayers' money to subsidize this competition, we think it is time to call a halt.

During the past century the nation's rail transportation system has played a major role in the transportation of people and goods. However, as the nation's scheduled air transport system matured and came of age, the overwhelming bulk of intercity passenger traffic has moved by air—with the exception of the private automobile and intercity bus services.

There are good basic reasons for this development.

First, scheduled air transport—even in high density, relatively short-haul corridors—provides fast, efficient services to the traveling public at an equitable price to the user without the imposition of hidden taxes on the non-user.

Second, no other form of transportation is able to provide this attractive combination of time savings, convenience, comfort and relatively low cost without imposing a tax burden on taxpayers throughout the country in order to subsidize the very limited number of passengers who would elect to use a form of public transportation other than air or bus.

Eastern, together with Continental Trailways, Inc. and the National Association of Motor Bus Owners, sponsors the exhibit which you have before you—Amtrak Yesterday, Today and Tomorrow—and our principal area of objection insofar as Amtrak's unfair competitive practices are concerned is in the "Northeast Corridor" where it is promoting price as its primary reason for using rail rather than the Air-Shuttle. Other reasons are stated in their advertising but, for the most part, they are without validity.

We submit that every single argument advanced by Amtrak to justify its incursion into the carriage of passengers—particularly in the "Northeast Corridor"—is effectively refuted by our exhibit and hold to the basic concept that "no government service should be provided at taxpayers' expense to compete with services which are provided by the private sector."

Mr. ROONEY. Can I just ask, both you and Mr. Adkins, about predatory pricing of Amtrak and then mentioning "cheaper than the bus?"

Mr. REINKE. I can tell you what the Amtrack fare is. We think that any time you reduce the fare below cost, it is predatory pricing.

Mr. ROONEY. What do you charge to go from here to New York?

Mr. REINKE. All right, Mr. Chairman, the fare one way for Eastern Airlines is \$33. On the Metroliner, coach, it is \$23. On the Metroliner, first class, it is \$34.75. And bus fare is \$15.75 one way.

Mr. SKUBITZ. Metroliner first class is what?

Mr. REINKE. \$34.75.

Mr. ROONEY. About the same as the airline?

Mr. REINKE. A little more, \$1.75 more.

Mr. ROONEY. You can't meet that competition?

Mr. REINKE. What most of the people do, they track it closer, very few people on that would be willing to pay the extra to ride in the first class. They take the excursion.

Mr. SKUBITZ. Pardon me for breaking in, but what about bus rates?

Mr. REINKE. The bus rate is \$15.75 one way.

Mr. SKUBITZ. I have \$12.50.

Mr. REINKE. Am I corrected on that, because I have the expert on my left.

Mr. ADKINS. It is \$15.75.

Mr. ROONEY. Would that be considered predatory pricing?

Mr. REINKE. I would not consider the bus fare predatory pricing if they are operating within their cost. If they are operating below cost, I would consider that predatory pricing.

Mr. CURREY. Their loss per passenger-mile in that segment is 14 cents New York to Washington on the Metroliner. The loss per passenger-mile is 14 cents per passenger mile on that corridor.

Mr. SKUBITZ. For buses?

Mr. CURREY. No, sir, Amtrak.

Mr. REINKE. I would also like to say you probably read in the papers that Eastern Air Lines applied for subsidy. We are not alone in this. We have Pan American, TWA, Eastern, and Allegheny making application for subsidy and one of the reasons that we have stated in our application for subsidy is the competition which we are receiving from Government subsidized rail services.

Now, under the existing law, we are entitled to it, providing we can demonstrate honest, efficient, and economical management.

Mr. SKUBITZ. Will the chairman yield?

Mr. ROONEY. I will be glad to yield.

Mr. SKUBITZ. You have provided one of the reasons. What are the other four reasons you are asking for your increase? What are they based on?

Mr. REINKE. We are asking, or some of the other reasons are the delay and the difficulty in obtaining fare relief from the regulatory agency. There are a number of reasons. I cited this as one.

Mr. SKUBITZ. I was under the impression there were about four reasons. I would like to have the others for the record?

Mr. REINKE. We are talking about a proliferation of competition over routes, in other words, on some routes you have too many pigs eating out of the same trough and as a result everybody is starving.

I would imagine my friendly competitors in the bus companies, I think the gentleman from Indian Trails indicated what the difference of one of two passengers being lost can make in the difference between profit and loss.

Mr. SKUBITZ. The third is increased energy cost, is that correct?

Mr. REINKE. Increased energy and increased labor, sir.

Mr. SKUBITZ. Thank you.

Mr. REINKE. I think it is significant that the five largest airlines in the United States today report over a \$200 million loss, and I would like to suggest if we don't want to see the airline industry develop into an Am-Air, that we should look at the competitive factors that we have between the various modes of travel.

I don't think we should have a subsidized mode competing with a nonsubsidized mode, if we are going to subsidize modes to satisfy the public convenience and necessity.

Mr. ROONEY. But you at the same time charge a fare twice what it is on Amtrak to get from here to New York?

Mr. REINKE. Yes, Congressman Rooney, that is correct. If Amtrak were charging a fare which is compensatory, which meets their cost, I think my argument would be less important. It is the fact that they are not charging what it cost them to provide the service and the government is subsidizing it.

Mr. ROONEY. Mr. Reinke, in my district, we just developed, and I dedicated a \$12 million terminal. How much does Eastern contribute to the terminal?

Mr. REINKE. Well, Eastern and other carriers servicing the terminal practically paid for it.

Mr. ROONEY. In what respect? What did you contribute as far as the mortar and brick of the terminal?

Mr. REINKE. As far as mortar and brick of the terminal, every airport we serve, with probably a few exceptions, the landing fees and rentals are based on the revenues which they get from, or the difference between the basic revenues such as parking lots, restaurants, and then our landing fees and space rentals make up the difference, so that the public does not have to pay any of that.

Mr. ROONEY. The public is paying for that, because it is set up by an authority and every taxpayer in my district is paying for that

terminal and not Eastern Airlines or any other airline. Certainly you should pay for landing fees. Who pays for air traffic controllers?

Mr. REINKE. The air traffic controllers are paid by FAA.

Mr. ROONEY. Which is a direct subsidy to Eastern Airlines and every other airline in the country.

Mr. REINKE. Could I say this, the passenger himself pays for the overwhelming bulk of the cost of these services and this is a direct tax, a ticket tax and this is the ADAP fund and that fund money, sir, is used to pay for the bulk of these airport improvements and used to pay for the bulk of these airport improvements and used to pay for the bulk of the airway services and the airway services are supported and paid for by this.

This is supported by ticket tax on the passenger, so the user and not the nonuser is the guy that pays for it. The nonuser is not subject to the tab on that.

Mr. SKUBITZ. Will you yield, Mr. Chairman?

Mr. ROONEY. Yes.

Mr. SKUBITZ. You raised a very important point. Isn't it true that everything outside of the gate, the brick, the mortar, and everything inside the construction, is charged to the community and the airline pays nothing?

Mr. REINKE. No.

Mr. SKUBITZ. You only pay from the gate out with user fees and these I think insofar as the safety features, the care of the airport, outside and inside, and isn't that one reason why, in Pennsylvania they began charging, a year or so ago, a head tax to try to raise the money.

Am I wrong on that?

Mr. REINKE. Congressman, I can't speak for every airport, but I can give you a few examples where I sat in on the discussions. Dallas-Fort Worth, Boston, Philadelphia, they said, "Look, you guys, we are going to build this thing and you are going to pay for it."

They told us that right to our faces. If our capital cost—when we have a part of a terminal building which we used, in many cases we have to put up the money and then pay for the rest of the terminal buildings by increased landing fees and rentals.

Mr. SKUBITZ. It just seems to me that in the development of that legislation we said that the airport would not be chargeable to the airlines. The safety factors and things like that would be taken care of out of the ADAP fund.

Mr. REINKE. The ADAP fund.

Mr. SKUBITZ. So you are actually being subsidized by the community taking care of an airport. One of the biggest complaints I hear about airlines is that, once you reach the airport you have to wait so long for your baggage.

Now, with the bigger passenger planes coming in, these carousels are not going to be able to handle the baggage. If it becomes necessary to build bigger carousels who will foot the bill? the airlines? or the airport community?

Mr. REINKE. If I can go back to that again right now, insofar as Eastern Airlines is concerned, we pay the total cost of the baggage moving systems in the terminals. If we are going back 10 or 15 years, it may have been that this was the case.

Mr. SKUBITZ. I was under the impression it was true right now.

Mr. REINKE. No sir, we pay that right now.

Mr. SKUBITZ. You may pay for the wheeling or transport up to the docking area where they unload them, but the wheel inside is a part of that.

Mr. REINKE. No, Congressman, we don't get a free lunch from the airports any more. I don't blame them. What they do, they do float revenue bonds, but the revenue bonds are predicated on the revenues they are going to get from the airlines to pay for them. So we do pay for those.

Mr. SKUBITZ. Thank you.

Mr. CURREY. Congressman, may I say one thing about terminals with relation to the intercity bus industry.

The intercity bus industry capitalizes, maintains and operates its own terminals within the revenue and expense criteria that you see presented before you.

The only notable exception of where the industry does not capitalize but rents its terminal is the New York Port Authority.

Mr. SKUBITZ. Do you build your own stations?

Mr. CURREY. We actually build with capital dollars, our investment dollars, and we maintain them and operate them.

Mr. SKUBITZ. You didn't build the one in Pittsburgh, Kansas. They used to have a room and I didn't know if you have it any more or not—

Mr. CURREY. In small towns, we use Commission agencies and those Commission agencies operate on a percentage of the tickets sold at that agency.

Mr. SKUBITZ. What percentage of your stations are on a lease basis, or that sort of basis?

Mr. CURREY. On that sort of basis, our total stations, probably, in Trailways, probably 50 percent of them, but accounting for a very much smaller percentage of the internal revenue basis of the company. In the total revenue base of the company-owned and maintained terminals, 75 to 80 percent of the revenue would be accounted for.

I was involved at one time, if I may make one more note, in the financing of the Dallas-Fort Worth regional airport and in that instance the DFW airport authority sold revenue bonds and 100 percent of the amortization of those bonds is a result of direct charges against the airlines utilizing those facilities.

In addition, the airlines themselves built the extra hangar facilities that were used above and beyond the common terminal areas.

That is the only one I know about personally, but I do know about that one.

Mr. ROONEY. Would you say, Mr. Currey, that all of the transportation in this country is subsidized by the Federal Government one way or another? How about our Federal interstate highways?

Mr. CURREY. I think you have to draw a distinction between direct operating subsidy and capital subsidy. If one speaks of direct operating subsidy, one is speaking of the money required to buy labor, fuel, pay Federal income taxes, and depreciate equipment.

In terms of the direct operating subsidies, there is only one subsidized mode in this country. That is Amtrak.

Now, if you wish to speak of capital subsidy, you may want to assert, and I think it would be normal, that the intercity bus industry is capitalized by reason of having that highway out there.

The highway is supported and the highway system is amortized by the highway trust funds. The intercity bus industry pays 3 times the amount of its percentage total vehicle miles across those highways into the highway trust fund.

So we are about on a 3 to 1 ratio there. Of all of the transportation modes, if one looks at subsidy operating-wise, we are not subsidized at all. If one looks at capital subsidy, we believe we are paying our own way, but if we are not we are certainly the least subsidized industry.

Mr. ROONEY. I heard a witness testify the day before yesterday from the Bureau of the Budget, Mr. Miller, that perhaps the best way to handle the problem as far as transportation is concerned would be Federal grants to the bus industry.

Would you accept that?

Mr. CURREY. I don't concur with Mr. Miller. I think the best way to handle this is to get a situation that is out of control under control and it seems to me that what must happen is that, as Mr. Adkins has suggested, there has got to be some operating criteria or limit put upon the subsidy or the taxpayer's portion of the bill that the traveller pays when he travels by Amtrak.

It is absolutely absurd for the Nation to pay \$330 or \$210, let's say, in addition to what the passenger pays in order to get a passenger from Chicago to New York, I mean from Chicago to Florida.

I don't believe it is in the national interest. It would in fact be cheaper to give each a bus ticket, if the Government really wants to supply free transportation to people from Chicago to Florida, say.

Mr. ROONEY. Mr. Adkins.

Mr. ADKINS. I don't think I had a chance to respond to your question about the example of fares from New York to Washington, "Was that predatory?"

Mr. ROONEY. I was going to get back to you, so I am glad you brought it up.

Mr. ADKINS. I would like to, I don't have the exact history of how this fare comes to what it is, but you will notice our fare is 45 cents below Amtrak and it came about no doubt because we were aware of that point.

Let me give you an example. I said the first instance that came to my attention was New York-Boston. At that time Amtrak had a fare of \$12.75. They reduced it to \$9.90 and said, "Even less than bus." At that time, our fare was \$10.45. 55 cents under the bus, "Even less than bus."

We in turn had to turn around and cut our fares to \$9.65 making it 25 cents less than the rails.

These things are happening. I can give you a detail of time after time this has happened and most recently in the Boston-Chicago route.

Mr. ROONEY. What is the profit or loss for your Washington and New York run?

Mr. ADKINS. I have not got the exact figure on that. Boston-New York is one of our primary routes and we don't have it now.

Mr. ROONEY. Is it a profitable route?

Mr. ADKINS. Yes sir, when you add in the package express plus the other, yes, but not very much. It is very thin, I would say.

Mr. ROONEY. How many passengers percentagewise have you lost since the advent of the Metroliner between Washington and New York.

Mr. ADKINS. I don't have those numbers. I can give you a statement to show the decline in our passengers. I do have, or I can give you the number from a study we made at the time Amtrak started in this Boston-New York corridor and I brought that with me.

In the 12 months following that period, we lost \$143,158, or we had less passengers, a decrease of 8.32 percent

We had 20 million less passenger miles, decline of 8.05 percent. That is in the 12-month period following the advent of a heavy testing of a fare reduction. We can give you numbers in any area if you would like to have it.

Mr. ROONEY. I would like to have the number of passengers you have lost during the last 10 years, that is, from the beginning of Amtrak to the present day and 5 years prior to the advent of the Metroliner.

Mr. WEBB. And I will supply those figures, Mr. Chairman, for the industry as a whole. We do have them. There is no way of showing, for example, that our failure to grow or our loss of passengers is due to Amtrak. We don't know that they left the bus and went on to the train. But we have the figures and I will produce them for the record.

[See letter dated March 1, 1976, appendix F., p. 260, this hearing.]

Mr. ROONEY. Thank you.

Mr. Skubitz.

Mr. SKUBITZ. Did the Greyhound company buy out Armour Beef?

Mr. ADKINS. We have acquired the stock of that corporation several years ago.

Mr. SKUBITZ. Was it Greyhound stock?

Mr. ADKINS. Yes, there was a transfer of Greyhound stock.

Mr. SKUBITZ. Did you lose any money?

Mr. ADKINS. They are not losing any money; no, sir.

Mr. SKUBITZ. That is a surprise to me. I thought all of the meat-packers were losing money except the ones in my State.

What is the relationship between meatpacking and hog—

Mr. ADKINS. No relation. Two separate companies.

Mr. SKUBITZ. Are you using profit from Greyhound, did you use those profits in order to buy Armour Beef?

Mr. ADKINS. I would say certainly the strength of the Greyhound Corp. at that time and the fact they were able to do this. They transferred Greyhound stock for Armour stock and the Greyhound Corp. had for several years been expanding their areas of other services and this is one they did.

I would like to say, though, certainly it has not weakened the Greyhound bus line. You know a lot of times, even in this great body here, there is some criticism of the Interstate Commerce Commission.

I would like to tell this group here that the Interstate Commerce Commission makes very sure that the Greyhound Corp. does not in any way use any of these assets of the Greyhound Bus Lines to assist the other members of the corporation. They see to it that our revenues and income are closely checked.

Mr. SKUBITZ. I don't think the gentleman from the air lines has completed his testimony. Have you?

Mr. REINKE. Yes, sir; unless you have questions you want to ask?

Mr. ROONEY. Is Eastern a conglomerate?

Mr. REINKE. No, sir; we are not a conglomerate. We own some hotel properties, a hotel in Puerto Rico and as a matter of fact it resulted in about a \$3 million a year cash drain and we hope they will be sold within the next 2 months. We wrote them down in value \$17 million last year, because we wrote them down to what we thought we could get for them.

Mr. ROONEY. I do have some additional questions which I will send to Mr. Webb and the record will remain open unless Mr. Skubitz has no further questions.

[The following letters and attachments were received for the record:]

NATIONAL ASSOCIATION OF MOTOR BUS OWNERS,
Washington, D.C., February 23, 1976.

HON. FRED B. ROONEY.,
Chairman, Subcommittee on Transportation and Commerce, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: In accordance with your request, I am pleased to submit herewith answers to the five questions propounded to NAMBO following the close of hearings before your subcommittee on Amtrak discontinuance criteria.

If you have any further questions please let me know.

Sincerely yours,

CHARLES A. WEBB,
President.

Enclosure.

QUESTIONS FOR NAMBO

Question 1. You state on page two of your testimony that Amtrak has an apparent lack of concern about the magnitude of its losses. Granted that Amtrak's losses are large and growing higher each year, but is it fair to say that Amtrak lacks concern about their losses?

Answer. I did not mean to imply Amtrak's management is not concerned about eliminating losses resulting from inefficient operational or personnel practices but that it has given no indication that it favors reducing the magnitude of its losses by the discontinuance of those routes which incur the heaviest deficits and fill no perceptible transportation need.

Question 2. You state on page five of your testimony that trains emit more pounds of carbon monoxide, hydrocarbon, and nitrous oxide than any other mode. Amtrak criteria, however, based on EPA methodologies, consider five pollutants. Do you have comparability statistics for the other two pollutants from your study as a parochial bias?

Answer. First, I do not have comparability statistics for "the other two pollutants." (particulates and sulphur oxides) However, I would give little

consideration to emission comparisons even if intercity buses were shown to be superior in all five pollution emission comparisons. The reason is that differences in the emission of pollutants among the several transportation modes can never be large enough to have any significant bearing on whether a particular Amtrak route or service should be added or discontinued.

Question 3. On page five you further state that the proposed criteria for "Impact on Personal Safety" is insignificant because the safety record of alternative common carrier modes is comparable. Do you not believe that it is reasonable for Amtrak to compare its safety record to that of autos since Amtrak thinks most of its passengers are drawn from or will turn to autos?

Answer. Yes, it is reasonable for Amtrak to compare its safety record with that of the private automobile. Although Amtrak's safety record is superior, its superiority is not large enough in terms of lives saved and injuries avoided to have any significant bearing on whether a particular Amtrak route or service should be added or discontinued.

In the case of a hypothetical Amtrak route 200 miles in length served by one train in each direction each day of the year and averaging 100 passengers in load, total passenger miles traveled on the route would be 14,600,000 for the year. At the Amtrak passenger fatality rate of 0.076 fatalities per 100 million passenger miles (see my answer to question 5), there might be expected to be one fatality in about 90 years. For an equivalent volume of automobile travel one fatality in four years could be expected or one in seven years for automobile travel on turnpikes. A projected saving of 10 or 20 lives over a 90-year period would not be insignificant, of course, but it should not be assumed that the tens of millions of dollars appropriated to support railroad passenger train service over a particular route would not save as many or more lives if devoted to medical research, highway or aviation safety, or other worthwhile Federal programs.

Question 4. As with previous witnesses, you are critical of Amtrak's proposed criteria because it does not provide for a "priority routing system." As I have asked previous witnesses, do you believe this deficiency is sufficient to warrant Congress disapproving the proposed criteria?

Answer. No. Approval of the proposed criteria, vague and indefinite though they are, would enable Amtrak to discontinue routes and service on the basis of managerial judgment, whereas the existing discontinuance procedure, is unrealistic. The existing section 13a procedure was designed to provide relief for railroads organized for profit, but Amtrak is a for-profit corporation in name only.

Actually, the "priority ranking system" called for by sub-paragraph (F) of section 404(c)(1) is not a criterion even though so described in the statute. Use of the criteria listed in sub-paragraphs (A) through (E) should produce a "priority ranking system". In my opinion, the intent of the statute would be satisfied if Amtrak were to submit to the Congress at any time in the reasonably near future a "priority ranking system" developed from the use of its proposed criteria.

Question 5. With regard to your statement that the safety records of common carriers are comparable, do you have any statistics to support this statement? Amtrak indicated that although it has had a number of accidents, it has not had a fatality in three years. How does the record compare with buses on a per passenger mile basis?

Answer. Statistics reported in the publication, "Accident Facts" of the National Safety Council on the safety records of common carriers and the private automobile have already been submitted for the record but a copy is enclosed for convenient reference.

With respect to the second part of the question, Amtrak reported to the Interstate Commerce Commission for calendar years 1971 through 1974 a total of 12 fatalities of passengers, crew members, and pass riders. If it is assumed that 10 of these persons were passengers, the passenger fatality rate for those years was 0.076 fatalities per 100 million passenger miles.

Enclosure.

ACCIDENT DEATH RATES IN PASSENGER TRANSPORTATION—PASSENGER FATALITIES PER 100 MILLION PASSENGER MILES¹

	Domestic operations (3-yr average rates)			
	Intercity buses	Automobiles	Railroads	Airlines
1956-58.....	0.09	2.5	0.18	0.38
1957-59.....	.12	2.4	.13	.43
1958-60.....	.10	2.3	.16	.73
1959-61.....	.09	2.2	.10	.69
1960-62.....	.08	2.2	.13	.57
1961-63.....	.14	2.2	.10	.27
1962-64.....	.14	2.3	.09	.16
1963-65.....	.18	2.4	.06	.23
1964-66.....	.13	2.4	.09	.20
1965-67.....	.14	2.4	.10	.25
1966-68.....	.11	2.4	.12	.24
1967-69.....	.11	2.4	.09	.23
1968-70.....	.08	2.2	.09	.13
1969-71.....	.05	2.1	.12	.10
1970-72.....	.09	2.0	.28	.10
1971-73.....	.14	1.8	.28	.12
1972-74.....	.13	1.6	.21	.11

¹ The following qualifications apply: Buses include only intercity operations (regular route and charter) of all class I bus carriers reporting to the ICC and the Bureau of Motor Carrier Safety of the Federal Highway Administration, automobiles include taxis, railroads include only "railroad passenger trains," and airlines include only scheduled air transport planes.

² Excluding drivers or operating crews, except in the case of automobiles.

Source: "Accident Facts," National Safety Council, Chicago, except rates for intercity buses, which are derived by NAMBO from ICC and Bureau of Motor Carrier Safety data.

GREYHOUND LINES, INC.,
Phoenix, Ariz., March 1, 1976.

Mr. WILLIAM KOVACS,
Chief Counsel,
Subcommittee on Transportation and Commerce,
Washington, D.C.

DEAR MR. KOVACS: NAMBO has passed to me the questions which you asked that I respond to, as follows:

1. On page two of your testimony, you state that the criteria should contain a predetermined loss per mile figure not to be exceeded. What do you believe this loss figure should be?

As I stated on page 8 of my statement, we support the NAMBO position which would require that in fiscal year 1977, rail passenger subsidies should not exceed 50% of the cost of operations and that progressive reductions of subsidies be made at the rate of 5% a year until such subsidies reach not more than 25% of Amtrak's operating costs. Based on the latest information I have, which is fiscal year 1975, Amtrak's system cost per passenger mile was 14.5¢. Their system revenue per passenger mile was 6.3¢, resulting in a deficit of 8.2¢ per passenger mile. My proposal, if applicable to fiscal year 1975, would limit the Amtrak subsidy to 7.25¢ per passenger mile which is one-half of the system costs per passenger mile.

I further stated that there should be improvement over a three to five year period. NAMBO's proposal, which we support, would require that the percent of operating costs to be subsidized would be decreased from 50% by 5% a year until the subsidy reached not more than 25%.

2. On page five of your testimony you make the point that Amtrak has repeatedly reduced its fares below those of the bus lines and uses predatory pricing in the corridor. Is it not correct that Amtrak charges \$23 between Washington and New York whereas you charge \$15? Surely, you could be competitive price-wise without this large a spread.

It is correct that Amtrak charges \$23 between Washington and New York on their Metroliner trains. However, the Metroliner fare is not the one in question. Amtrak's regular fare between Washington and New York is only \$16 and is applicable to 22 trains daily, including their newest equipment—Amfleet. There are 30 Metroliners operating between these same points. Attached you will find Appendices A - E which provide examples of Amtrak's predatory pricing practices. You will note that on June 11, 1972 they reduced their fare between New York and Washington from \$13 to \$11.25 on all trains excluding the Metroliners. The bus fare at that time was \$11.80, therefore, it was necessary that we reduce our fare to \$11.00 to be competitive. Since that time, because of increased costs, the bus lines and Amtrak have increased their fares between these points to where Amtrak's fare is \$16 and the bus fare is \$15.75.

The bus industry has applied to the ICC to increase its fares 6%, effective April 1, 1976. That would increase our one-way fare from \$15.75 to \$16.70, however, we will have to hold this fare down to \$15.95 so as not to exceed Amtrak's \$16 fare. Amtrak testified that they are also facing inflationary pressures and that they will have to seek additional subsidies to meet these costs. The bus lines can only secure additional revenues from its passengers.

I call your particular attention to Appendix D which gives some examples of reduced off-peak excursion fares inaugurated by Amtrak on February 15. These fares will be applicable at all times except between noon and 6:00 p.m. on Fridays and Sundays. Please note that this round-trip excursion fare between New York and Washington is only \$24, or \$1.00 more than the one-way New York-Washington Metroliner fare.

3. With further regard to the question of fares, are bus fares commensurate with its costs? Amtrak contends that wherever buses compete with Amtrak the charges per mile are comparable for the two modes, whereas on routes on which the two modes do not compete the charge per mile for buses is substantially higher than those for its other routes.

We attempt to always establish fares commensurate with costs, however, because of Amtrak's pricing practices we have not been able to place fare increases into effect in many areas where we are competitive with Amtrak. Again, I refer you to Appendices A - E as examples of where we have had to hold down fares in order to remain competitive with Amtrak. In those areas where we have held down our fares so as not to exceed Amtrak, certainly the charge per mile is comparable to that charged by Amtrak.

This is the real key to our problem with Amtrak. The bus lines must recover their increases in cost from their passengers whereas Amtrak more and more is seeking to secure their increased costs from the public coffers. By so doing, they are able to maintain an artificial fare level not in any way related to their operating costs. This, in turn, requires the bus lines, in order to remain competitive to hold their fares down, depriving them of needed revenue which threatens the economic base of the bus industry. If Amtrak is permitted to continue to maintain an artificial fare level, bus service to thousands of small communities throughout the United States served by bus routes on which traffic is thin and at best profits are marginal or non-existent, will be reduced or terminated.

During the proceedings, Congressman Rooney requested that I supply the committee with the number of passenger miles for Greyhound for the five years prior to and the five years subsequent to Amtrak's commencing operations. This information is contained on Appendix F, attached.

Very truly yours,

JOHN E. ADKINS,
Executive Vice President.

Attachments:

[APPENDIX A]

EXAMPLES OF SOME OF THE MAJOR POINTS WHERE BUS FARES HAVE BEEN REDUCED BECAUSE OF AMTRAK'S
REDUCTION OF RAIL FARES

Between	One-way fares shown			
	Amtrak fare		Bus fare	
	Before reduction	Oct. 1, 1971	Before reduction	Oct. 1, 1971
New York, N.Y., and Boston, Mass.....	\$12.75	\$9.90	\$10.45	\$9.65
	Before reduction	June 11, 1972	Before reduction	June 11, 1972
New York, N.Y., and Washington, D.C.....	\$13.00	\$11.25	\$11.80	\$11.00
Boston, Mass., and Washington, D.C.....	26.65	21.15	22.55	20.65
New York, N.Y., and Harrisburg, Pa.....	11.80	9.00	9.75	8.95
New York, N.Y., and Rochester, N.Y.....	19.25	17.50	17.50	17.45
New York, N.Y., and Syracuse, N.Y.....	15.00	13.50	14.45	13.45
New York, N.Y., and Utica, N.Y.....	12.50	11.50	12.95	11.45
Newark, N.J., and Harrisburg, Pa.....	11.30	8.75	9.25	8.70
Chicago, Ill., and Ann Arbor, Mich.....	14.25	11.50	12.75	11.45
Chicago, Ill., and Jackson, Mich.....	12.00	9.75	10.75	9.70
Chicago, Ill., and Detroit, Mich.....	16.25	13.00	13.35	12.95
	Before reduction	Apr. 29, 1973	Before reduction	May 11, 1973
Washington, D.C., and Hartford, Conn.....	\$19.25	\$17.50	\$17.60	\$17.45
Boston, Mass., and Newark, N.J.....	13.50	10.65	11.85	10.60
Boston, Mass., and Trenton, N.J.....	16.25	13.40	14.35	13.35
Boston, Mass., and Philadelphia, Pa.....	17.75	15.15	15.95	15.10
Washington, D.C., and Chicago, Ill.....	44.35	35.00	35.65	34.75
Washington, D.C., and Gary, Ind.....	44.35	35.00	34.90	34.75
Washington, D.C., and Pittsburgh, Pa.....	17.55	14.00	13.85	13.75
Washington, D.C., and Indianapolis, Ind.....	37.25	29.50	30.40	29.25
Washington, D.C., and Columbus, Ohio.....	29.10	22.50	22.70	22.25
Chicago, Ill., and Harrisburg, Pa.....	41.60	32.50	32.30	32.25
Chicago, Ill., and Philadelphia, Pa.....	51.60	37.00	36.95	36.75
Chicago, Ill., and Pittsburgh, Pa.....	28.10	22.00	21.95	21.75
	Before reduction	Apr. 29, 1973	Before reduction	May 11, 1973
Indianapolis, Ind., and Baltimore, Md.....	\$39.75	\$29.50	\$30.40	\$29.25
Indianapolis, Ind., and Kansas City, Mo.....	27.10	21.00	22.40	20.75
Indianapolis, Ind., and St. Louis, Mo.....	15.05	12.00	12.50	11.75
Indianapolis, Ind., and New York, N.Y.....	50.25	37.00	37.80	36.75
Indianapolis, Ind., and Columbus, Ohio.....	11.05	8.50	9.20	8.25
Indianapolis, Ind., and Pittsburgh, Pa.....	22.60	17.50	18.05	17.25
Columbus, Ohio, and Baltimore, Md.....	29.10	22.50	22.70	22.25
Columbus, Ohio, and Kansas City, Mo.....	37.90	29.00	31.05	28.75
Columbus, Ohio, and St. Louis, Mo.....	25.85	20.00	20.70	19.75
Columbus, Ohio, and Pittsburgh, Pa.....	11.55	9.00	9.95	8.75
Columbus, Ohio, and New York, N.Y.....	37.10	29.00	29.75	28.75
Pittsburgh, Pa., and St. Louis, Mo.....	36.60	28.50	29.65	28.25
Pittsburgh, Pa., and Kansas City, Mo.....	48.65	38.00	38.25	37.75
Savannah, Ga., and New York, N.Y.....	38.56	37.00	37.35	36.95

[APPENDIX B]

AMTRAK BICENTENNIAL COACH EXCURSION FARES BETWEEN BOSTON, MASS., AND WASHINGTON, D.C. EFFECTIVE SEPT. 8, 1975, RESULTED IN THE BUS LINES REDUCING ONE-WAY AND ROUND TRIP FARES AS FOLLOWS

Between	Amtrak				Bus lines				Amount of reduction necessary to remain competitive with Amtrak	
	Regular fare		Excursion fare		Regular fare		Reduced fare			
	One way	Round trip	One way	Round trip	One way	Round trip	One way	Round trip	One way	Round trip
Boston, Mass., and Washington, D.C.	\$29.00	\$58.00	\$25.00	\$40.00	\$29.90	\$56.85	\$24.95	\$39.95	\$4.95	\$16.90
Boston, Mass., and Baltimore, Md.	26.50	53.00	25.00	40.00	27.15	51.60	24.95	39.95	2.20	11.65
Springfield, Mass., and Washington, D.C.	25.50	51.00	25.00	40.00	24.85	47.25		39.95		7.30
Springfield, Mass., and Baltimore, Md.	23.50	47.00		40.00	22.00	41.80		39.95		1.85
Hartford, Conn., and Washington, D.C.	24.25	48.50		40.00	23.35	44.40		39.95		4.45
Providence, R.I., and Washington, D.C.	26.50	53.00	25.00	40.00	27.95	53.15	24.95	39.95	3.00	13.20
Providence, R.I., and Baltimore, Md.	24.00	48.00	25.00	40.00	25.40	48.30	24.95	39.95	0.45	8.35

¹ Reduced bus fare of \$28.95 filed effective July 1, 1975 to meet Amtrak fare.

² Reduced bus fare of \$26.45 filed effective July 1, 1975 to meet Amtrak fare.

[APPENDIX D]

COMPARISON OF AMTRAK OFF-PEAK ROUND TRIP COACH EXCURSION FARES ON THE BOSTON/SPRINGFIELD, MASS.-WASHINGTON, D.C. LINES, THE BUS LINES REGULAR FARES AND REDUCED FARES NECESSARY TO REMAIN COMPETITIVE WITH AMTRAK EFFECTIVE FEB. 15, 1976

Between	Amtrak fare		Bus lines		Amount of reduction necessary to remain competitive with Amtrak
	Round trip coach fare	Off peak round trip coach fare	Regular round trip fare	Reduced round trip fare	
Boston, Mass., and New London, Conn....	\$16.00	\$12.00	\$15.15	\$11.95	\$3.20
Boston, Mass., and New York, N.Y.....	31.00	23.50	27.75	21.90	5.85
Boston, Mass., and Philadelphia, Pa.....	45.50	34.50	40.20	31.75	8.45
New York, N.Y., and Providence, R.I.....	27.00	20.50	23.85	18.85	5.00
New York, N.Y., and Hartford, Conn.....	16.50	12.50	15.30	12.10	3.20
New York, N.Y., and Philadelphia, Pa.....	14.50	11.00	13.05	10.30	2.75
New York, N.Y., and Baltimore, Md.....	28.00	21.00	24.65	19.45	5.20
New York, N.Y., and Washington, D.C.....	32.00	24.00	29.95	23.65	6.30
Philadelphia, Pa., and Baltimore, Md.....	15.00	11.50	13.60	10.75	2.85
Philadelphia, Pa., and Washington, D.C....	20.00	15.00	17.50	13.80	3.70
Baltimore, Md., and Washington, D.C.....	7.00	5.30	6.10	4.80	1.30

[APPENDIX E]

COMPARISON OF SOME AMTRAK ONE-WAY REDUCED FARES BETWEEN CHICAGO, ILL., ON THE ONE HAND, AND MIAMI, ORLANDO/ST. PETERSBURG, FLA., ON THE OTHER AND THE AMOUNT OF REDUCTION ON ONE-WAY BUS FARES NECESSARY TO REMAIN COMPETITIVE WITH AMTRAK EFFECTIVE FEB. 15, 1976.

Between	Amtrak fares		Bus fares		Amount of reduction to meet Amtrak reduced fare
	Regular one-way fare	Reduced one-way fare	Regular one-way fare	Reduced one-way fare	
Chicago, Ill., and Miami, Fla.....	\$74.00	\$49.90	\$68.90	\$49.85	\$19.05
Chicago, Ill., and Tampa, Fla.....	67.00	49.90	62.00	49.85	12.15
Chicago, Ill., and Orlando, Fla.....	63.00	49.90	60.25	49.85	10.40
Chicago, Ill., and Jacksonville, Fla.....	56.00	49.90	54.85	49.85	5.00

COMPARISON OF SOME AMTRAK ROUND-TRIP EXCURSION FARES EFFECTIVE FEB. 15, 1976, ON THEIR NASHVILLE, TENN.-MIAMI/ST. PETERSBURG, FLA. ROUTE AND THE AMOUNT OF REDUCTION ON ROUND TRIP BUS FARES NECESSARY TO REMAIN COMPETITIVE WITH AMTRAK.

Between	Amtrak fares		Bus fares		Amount of reduction to meet Amtrak reduced fare
	Regular round trip fare	Round trip excursion fare	Regular round trip fare	Reduced round trip fare	
Nashville, Tenn., and Montgomery, Ala..	\$32.00	\$24.00	\$31.10	\$23.95	\$7.15
Nashville, Tenn., and Jacksonville, Fla...	65.00	49.00	61.10	48.95	12.15
Nashville, Tenn., and Tampa, Fla.....	88.00	66.00	82.85	65.95	16.90
Nashville, Tenn., and West Palm Beach, Fla.....	92.00	69.00	91.15	68.95	22.20
Nashville, Tenn., and Miami, Fla.....	99.00	75.00	96.15	74.95	21.20
Birmingham, Ala., and Miami, Fla.....	79.00	60.00	78.30	59.95	18.35
Montgomery, Ala., and Miami, Fla.....	75.00	57.00	71.45	56.95	14.50

[APPENDIX F]

Greyhound Lines, Inc.—Passenger Miles (Millions), 1966-75

Year:	Passenger miles
1966.....	10,153.9.
1967.....	9,918.2.
1968.....	9,315.5.
1969.....	9,306.0.
1970.....	8,890.0. (Amtrak operations commenced May 1, 1971.)
1971.....	8,790.0.
1972.....	8,769.1. (Safeway Trailways work stoppage Apr. 1, 1972 to Dec. 31, 1972.)
1973.....	8,960.5. (Safeway Trailways work stoppage Jan. 1, 1973 to Apr. 4, 1973.) (Energy crisis and Carolina Trailways work stoppage December 1973.)
1974.....	9,216.8. (Energy crisis and Carolina Trailways work stoppage January to April 1974.)
1975.....	8,131.5.

Mr. SKUBITZ. I have a few for the other witnesses. I am interested in the testimony of the gentleman from Michigan.

Really, your problem has been brought on, has it not, by your own State, by a willingness to pay two-thirds of the loss on Amtrak in order to get Amtrak to continue, or force Amtrak to operate?

Mr. HIMBURG. They pay two-thirds plus the communities provide the terminals. However, it was my great desire here to show you gentlemen the disparity of our situation with regard to the fare structure. I am confident that the State of Michigan made every effort to equalize bus fares and rail fares; however, it was the policy of Amtrak not to do so, but to follow a nationwide policy.

Mr. SKUBITZ. They reduced rates, as I understand it, to equalize your rates, is this correct?

Mr. HIMBURG. No, no; I think the chart shows.

Mr. SKUBITZ. Well, I just asked.

Mr. HIMBURG. They established a fare structure below ours.

Mr. SKUBITZ. After the State itself expressed its willingness to pay two-thirds of the cost, is this correct?

Mr. HIMBURG. Well, it was a combined announcement.

Mr. SKUBITZ. Has the State ever said to Amtrak, "Now, look, we want these rates down and we are willing to pick up two-thirds of the cost?" Do you know if anything like that occurred?

Mr. HIMBURG. There has been no discussion, to my knowledge, where they attempted to resolve that in the manner in which you speak. I can read into the record a letter which definitely expressed to Amtrak the fact that they wished to have healthy modes of transportation, both bus and rail, and that the rail fares should be comparable with the existing bus fares. But that was not done.

Mr. SKUBITZ. They are down below your rates now?

Mr. HIMBURG. Yes sir.

Mr. SKUBITZ. Now, the State is subsidizing you on this one run, correct?

Mr. HIMBURG. We are involved in an experimental additional service operation.

Mr. SKUBITZ. Can I get a "yes" or "no" answer from you?

Mr. HIMBURG. Yes.

Mr. SKUBITZ. That is all I wanted to know.

Mr. HIMBURG. The only thing is, I must explain, sir, that there has been no signed contract, nothing. We are operating this service on a wheel cost subsidy. We have no funds at this time.

But what I am trying to say is that we are attempting to respond to the State's desire to provide more bus service.

Now, I can supply you with figures later on as to the results. It has only been 2 months in operation.

Mr. SKUBITZ. The subsidy payment, is that going to take care of the losses you sustained?

I think you stated you had a drop in revenue of some odd thousand dollars. What part of that would it take care of?

You had a loss of \$480,000 I think you said, is that right?

Mr. HIMBURG. No; I was giving you the net revenues in 1974, and I believe I gave you a figure in 1974 in excess of \$400,000 and the net revenues for the year 1975 was in excess of \$100,000.

But I tried to point out that our overall net revenue included other operations other than bus services and that our actual operating loss for that period was approximately 102 percent, operating ratio rather.

Mr. SKUBITZ. Are you seeking a subsidy now on the second route?

Mr. HIMBURG. May I say we have one division, one principal division, that is Flint to Chicago. We operate approximately seven trips a day between Flint and Chicago. Of these, we have two experimental schedules at the present time and the subsidy exists on a wheel cost factor if revenues fall below 62½ cents a mile.

Mr. SKUBITZ. On page 4 of your testimony you say our net operating revenue declined \$430,000 in the first three quarters of 1974.

Now, my question is this: Simply, are the subsidy payments that the State is going to make to your firm equal, or do you think they will be equal, to these losses?

Mr. HIMBURG. No, sir.

Mr. SKUBITZ. They won't be?

Mr. HIMBURG. No sir.

Mr. SKUBITZ. Of the \$430,000 in operating revenues, how much of that would you say was attributable to the loss in passenger service and how much to other things that may have come up?

Mr. HIMBURG. Possibly, you know—where do you get that? I am trying to understand the question. Are you speaking of the \$430,000?

Mr. SKUBITZ. Yes, that is what I am speaking of.

Mr. HIMBURG. I am saying here our net revenue declined from \$430,000 to \$157,000.

Mr. SKUBITZ. That would be a loss of \$272,000, is that right?

Now, as I understand it, the State is going to, or is subsidizing you at the present time. Will the subsidy they are paying take care of the difference?

Mr. HIMBURG. No sir.

Mr. SKUBITZ. It won't. Is the full \$272,000 due to loss of passenger service or some other increased costs?

Mr. HIMBURG. The increased costs—naturally costs have increased substantially year by year over the last 4 or 5 years.

Mr. SKUBITZ. What was your loss from passenger service?

Mr. HIMBURG. Our loss from the passenger service—I stated that September 30 to October 1, 1975, which is that period in which we had our new competitive service, we had an operating ratio of 102 percent.

Mr. SKUBITZ. Thank you, Mr. Chairman.

Mr. HIMBURG. Revenues, I think we are talking, Mr. Skubitz, about an actual loss, and I can give you that exact figure. Approximately \$20,000. I am talking about our net loss. Now, we show a profit for the 1975. That is profit of \$124,000.

Mr. SKUBITZ. You say net loss?

Mr. HIMBURG. But the net loss, when you take out the other revenues, well, we operate various other things that are not part of the busline, but we have not separated the corporation or the companies and they produce approximately in excess of \$130,000, so when I give you the figure 102 percent operating ratio on the busline, we now have lost for the year 1975 somewhere in the neighborhood of \$20,000 on operation of the busline.

Mr. SKUBITZ. \$20,000?

Mr. HIMBURG. Yes, sir.

Mr. SKUBITZ. Do you think it is because of your competition?

Mr. HIMBURG. The competition, and I implore upon you to consider the unfairness of the fare structure. We only have one division and only one way to serve the people of Michigan. We have one route. We supply 7 to 10 scheduled trips into Chicago, depending on the area—well, as you get closer to Chicago, we provide more service.

Mr. SKUBITZ. I was under the impression you provide service outside of Illinois and Michigan.

Mr. HIMBURG. Charter service. Our regular route, sir, is into Chicago and charter from points in Michigan and United States to Canada.

Mr. SKUBITZ. What proportion of your revenues is from charter business and the rest?

Mr. HIMBURG. Forty-eight percent is regular route and the balance is charter service and package express.

Mr. SKUBITZ. Does your charter service fall off during the period that—

Mr. HIMBURG. Well, are you talking about 1975?

Mr. SKUBITZ. Yes.

Mr. HIMBURG. Of course, as you well understand, Michigan, because of the automobile industry was greatly affected in the recent recession, however, our charter service produced \$1,496,000 in 1974 and \$1,481,000 in 1975. So there was a slight reduction, but it was not anything as appreciable as what we are involved in on the regular route.

Mr. SKUBITZ. I have nothing more, Mr. Chairman.

Mr. ROONEY. Thank you very much, gentlemen. I particularly want to commend the Continental Trailways and also Eastern Airlines for this very valuable and informative pamphlet.

Mr. SKUBITZ. One thing, Mr. Currey, I want to commend you for your statement on "Issues and Answers" and with Mr. Reistrup on Mr. Suskind's program.

The only difficulty was you brought up the issue and then you answered it. I thought you had some beautiful questions if you would have only given Mr. Reistrup the opportunity to answer them.

Mr. CURREY. I am sorry, sir, my handlers stirred me up too much before that performance. So I apologize to you.

Mr. SKUBITZ. There is no reason to apologize to me, but I had to ask Mr. Reistrup some questions so he could get them in the record.

Mr. CURREY. Before we went on that TV show I kept asking Mr. Reistrup the questions and he didn't have any of the answers, so when we actually got on the show, I will plead guilty to supplying both.

If I may just say one thing in conclusion, I think what we seek is a rational transportation policy and, in seeking it, we want Congress, and our industry wants to be a part of, it to look at the absolute efficiency factors of each mode.

They must be looked at and efficiency factors in the transportation industry are plainly related to weight per seat mile and speed per seat mile.

I mean, the real figures are there and there won't be any argument among transportation specialists if we will look at those. When we talk about efficiency, I mean, whether it is fuel or cost, total operating cost per mile or capital cost, it is all in the same ball of wax and we are completely convinced that the Nation has a greater future having its transportation needs supplied through the intercity industry.

Mr. ROONEY. Thank you. I also appreciate your fine cooperation, Mr. Webb, with the committee. You did an outstanding job.

Mr. WEBB. Thank you, Mr. Chairman.

[The following letter was received for the record:]

NATIONAL ASSOCIATION OF MOTOR BUS OWNERS,
Washington, D.C., February 24, 1976.

HON. FRED B. ROONEY,
Chairman, Subcommittee on Transportation and Commerce, Committee on Interstate and Foreign Commerce, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a letter from Mr. James C. Kellogg, Deputy Director of Urban and Public Transportation, to Mr. David A. Watts, Jr., Director State and Local Affairs of the National Railroad Passenger Corporation. The letter is relative to the equalization of rail and bus fares in the State of Michigan.

Also enclosed are the Amtrak ridership figures for January through December 1974 as compared to January through December 1975.

Since both of these items are related to recent hearings held by your Subcommittee on Amtrak discontinuance criteria, I would appreciate it if both items were made part of the permanent record.

Sincerely yours,

CHARLES A. WEBB,
President.

URBAN AND PUBLIC TRANSPORTATION,
July 30, 1974.

MR. DAVID A. WATTS, JR.,
*Director, State and Local Affairs,
National Railroad Passenger Corporation,
Washington, D.C.*

DEAR MR. WATTS: We understand that in keeping with your general fare policy, you are proposing a fare level of approximately 5.5 cents per mile on the Port Huron line.

Because of local conditions, intercity bus fares in Michigan are generally higher than this figure. Since it is our goal to strengthen all forms of transportation rather than favor one mode to the detriment of another, we urge you to make every effort to establish comparable fares with the bus carriers where you are presently below their level.

I would appreciate hearing from you on this subject as soon as possible, since your Port Huron service is scheduled to begin September 15.

Sincerely,

JAMES C. KELLOGG,
Deputy Director.

ORIGIN AND DESTINATION - PASSENGER COUNT
 CONSOLIDATION BY MAJOR ROUTES
 January-December, 1974 VS. January-December, 1975

ITEM #	ROUTE	DAILY FREQUENCY (Weekday/SA/SU)*		TOTAL PASSENGERS CARRIED		Percent Change	COMMENTS
		1974	1975	1974	1975		
		<u>LONG DISTANCE</u>					
1	NYC-Florida	8	6	First 117,397 Coach 717,378 Total 834,775	86,712 653,416 740,128	(26Z) (9Z) (11Z)	Daily frequency was 6 except for periods 1/1-4/27/74 and 12/13-12/31/74; 1/1-1/10/75 when it was 8, 9/14-12/11/75 frequency was 4, 12/12-12/31/75 frequency returned to 6.
2	NYC/Washington-Chicago ^a	2	2	First 50,325 Coach 224,931 Total 275,256	62,682 236,752 299,434	24Z (14Z) (8Z)	Effective 12/19/75 - 40/440, 41/441 run in 2 sections. Figures for both sections have been combined for convenience.
3	NYC/Washington-Kansas City	2	2	First 17,886 Coach 197,150 Total 215,036	16,044 143,501 159,545	(10Z) (22Z) (26Z)	
4	Chicago-Florida	2	2	First 23,445 Coach 134,473 Total 157,918	20,114 119,356 139,470	(14Z) (11Z) (12Z)	
5	Chicago-New Orleans	2	2	First 9,665 Coach 186,234 Total 195,899	10,308 163,706 174,014	7Z (12Z) (11Z)	
6	Chicago-Los Angeles	2	2	First 62,406 Coach 263,756 Total 326,162	48,211 224,702 272,913	(23Z) (13Z) (18Z)	
7	Chicago-Oakland	2	2	First 48,363 Coach 269,256 Total 317,619	38,753 226,193 264,946	(20Z) (16Z) (17Z)	
8	Chicago/Minot-Saattla	2	2	First 44,188 Coach 341,104 Total 385,292	34,322 274,211 308,533	(22Z) (20Z) (20Z)	
Includes passengers boarding or disembarking west of N. Philadelphia on Trains #42 and #43, - #46 and #47. (Notes #46 and #47 terminated 9/15/75).							Market Research Department

----- - PASSENGER COUNT

CONSOLIDATION BY MAJOR ROUTES
January-December, 1974 Vs. January-December, 1975

ITEM #	ROUTE	1974	1975	1974	1975	Percent Change	COMMENTS
		DAILY FREQUENCY (Weekday/SA/SU)*		TOTAL PASSENGERS CARRIED			
17	New York/Albany-Montreal	2	2	First Coach Total 28,508 88,591 28,508	First Coach Total 88,591 88,591 88,591	-- 25% 25%	Service began 8/6/74. Effective 4/27/75, service includes passengers formerly carried on #71 and #76.
18	New York/Boston-Chicago	0	2	First Coach Total -- -- --	First Coach Total 3,620 43,192 46,812	-- -- --	Service began 10/31/75.
	LONG DISTANCE TOTAL			First Coach Long Distance Total 500,638 3,623,973 4,174,611	First Coach Long Distance Total 435,296 3,382,350 3,817,646	(132) (8) (92)	
19	NYC-Washington	81/58/70*	77/55/67*	Total 7,538,244	Total 7,061,481	(7%)	
20	NYC-Springfield	2	2	Total 137,416	Total 120,769	(122)	
21	Boston-NYC	22/20/23*	20/18/22*	Total 1,651,284	Total 1,536,893	(72)	Old Saybrook Bridge closed 4/17/75 - 5/23/75
22	Boston/Worcester-N. Haven	2	0	Total 63,270	Total 8,931	--	Day State service terminated 3/1/75. Now operates SPFD- NH.
23	Philadelphia-Harrisburg	20/10/10*	20/10/10*	Total 779,813	Total 687,768	(122)	
24	Springfield-New Haven	14/6/10*	14/8/12*	Total 206,352	Total 223,400	8%	1975 totals include trains 144/142 and 149/141
	*Includes NYC-Philadelphia service and passengers boarding or disembarking north of North Philadelphia on Trains #42 and #43, #46 and #47 (Notes: #46 and #47 terminated 9/14/75). apartest change calculated from average daily percentage in 1974 and 1975.						Market Research Department

ORIGIN AND DESTINATION - PASSENGER COUNT
CONSOLIDATION BY MAJOR ROUTES
January-December, 1974 VS. January-December, 1975

[illegible]

Mr. ROONEY. Thank you, gentlemen.

The next witness will be Mr. Oren Beaty, president of NARP, Washington, D.C. I would appreciate it very much if you would kindly summarize your statement.

STATEMENT OF ORREN BEATY, PRESIDENT, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS, ACCOMPANIED BY ROSS CAPON, ASSISTANT DIRECTOR

Mr. BEATY. Thank you, Mr. Chairman. I appreciate your patience and I have noted this before, in appearance here when you sit through one filibuster after another, and I promise you I won't talk as long as the previous panel.

I have some comments on the amount of subsidy the airlines received and I appreciated the tone of your questioning when the Eastern Airlines representative was speaking, because I can't think of anything more ludicrous than a commercial airline today complaining about somebody else being subsidized and I have some back-up material I would like to put in the record, one page.

Mr. ROONEY. Without objection [see p. 276].

Mr. BEATY. Thank you, sir.

I would like to express my appreciation to the committee and Congress generally for its support of the railroads and railroad passenger service. I think if it were not for Congress, there probably would be no railroad passenger service or very limited service.

Mr. ROONEY. Why don't you comment on some of those figures?

Mr. BEATY. I will be happy to. Let me cite as one example—

First of all, I have with me Mr. Ross Capon, assistant director of the National Association of Railroad Passengers.

I have a letter written to Mr. Stanley Hamilton, Director of Public Affairs of the National Association of Motor Bus Owners by E. L. Tennyson, Deputy Secretary of Transportation in the State of Pennsylvania. It was written in response to NAMBO's, I thought, ill-advised national advertising campaign against Amtrak last year.

You know, it is kind of pitiful that this whole group of high-priced talent shows up here to try to take away 1 percent of the intercity passenger service. 87 percent of the people travelling intercity go in cars and maybe 10 percent go on airlines and 2 percent buses.

You know, you could take the 1 percent that goes on trains and just eliminate trains altogether. It wouldn't make up the losses that the airlines say they are suffering and it has no bearing on it.

I appreciate the chance to comment on this. Let me read about three paragraphs of Mr. Tennyson's letter and I will put it in the record.

Mr. ROONEY. Without objection [see p. 278].

Mr. BEATY. Referring to a letter sent from Governor Shapp, and I will skip the first three paragraphs,

There is a gross inequality between bus and rail economics that we must consider in the public interest that you may not have considered.

Whereas bus lines operate over a trillion dollars worth of publicly maintained rights-of-way, paying no interest charges or ad valorem taxes on such

property, the railroads must pay all of these charges, in part to build highways for you, without any net public aid of consequence until Amtrak. Congress has required Amtrak to operate certain trains for social purposes that should not be charged to Amtrak's inefficiency.

We see no evidence that the bus industry has been hurt by Amtrak. In 1970, before Amtrak, your Class I members carried 14.17 billion passenger miles. In 1971, Amtrak wiped out half of all the intercity rail passenger trains in the Nation, yet in 1972, class I buslines served only 13.58 billion passenger miles. Clearly, discontinuing trains will not automatically aid buslines.

You know the answer to that. I am sure all of the bus witnesses this morning came here by bus from Phoenix and New York and the other places. The buses just don't attract a lot of people in certain services. You can eliminate the railroad passenger service and people will still not flock to buses.

Getting back to the railroad subject of this hearing, we assume that, in approving the concept of establishing the criteria, Congress was seeking to avoid the unfortunate distortions in priorities which have plagued the Amtrak route selection process to date, and recognized the possibility that some of the "political" routes might be dropped as a result.

If this assumption proves incorrect, it might be well to consider yet another mechanism, such as returning discontinuance authority to the ICC on the theory that it might be somewhat less political than the "system" used to date.

I think this next sentence is one of the important things for Congress to consider. It is frustrating for those who seek a "fair test" of intercity rail passenger service to look at the present route structure and then consider some of the links which have no service.

Talking about a fair test, we believe that means getting good tracks and good equipment and giving it 2 or 3 years to operate. There has not been a fair test of Amtrak since the rail passenger service was started after a couple of decades of neglect.

Talking about the present route structure, Amtrak has missed several golden opportunities for daytime intercity rail passenger service, such as Cleveland-Pittsburg, Washington, Cleveland-Columbus-Dayton-Cincinnati, Washington-Richmond-Norfolk, and St. Louis-Kansas City. The latter two have some service, but it does not provide this very profitable daytime market with direct services. The existing service is long distance or with schedules geared to arrivals at, and departures from, distant terminal points.

Thus, we welcome the attempt which congressional approval of the criteria concept represents to improve things.

We believe that the criteria which Amtrak has proposed are generally appropriate for the present and until a "fair test" has concluded; only thereafter should consideration be given to incorporating fixed deficits per passenger mile into the criteria.

By "fair test," we mean roughly 2 to 3 years of operation of a modern network which has the benefit of: (1) All rolling stock new or rebuilt with reliable electric heating and air-conditioning; (2) management capability to schedule and operate this equipment properly and staff it with friendly personnel; (3) all track in good condition; (4) an adequate route structure with reasonable service frequencies; (5) new cost-effectiveness measures, such as rolling

stock more economical to operate and labor agreements which eliminate costs not dictated by actual work requirements.

Let me expand briefly on some of these.

MANAGEMENT CAPABILITY

Although our concern is mounting about some key Amtrak officials and their output on terms of some policy decisions and the resulting service quality, our confidence in Mr. Reistrup remains unshaken. He has been in office less than a year, and his job is to turn things around in an industry which has been in retrogression for decades including, for the most part, the first 4 years of Amtrak before he took the position of President. We have found him to be receptive to suggestions, with some of ours being implemented, and we know that the general morale of his staff is much higher than it was before his coming.

TRACK

The key problem here is of course the east-west main lines of Penn Central. While improvements are already underway, this may take the longest of all the factors to prepare for the "fair test," since USRA officials have given 5 years as the time needed to complete most track improvement—and the preliminary system plan, at page 307 of volume I, in discussing passenger service, says that "at least 3 to 7 years" will be required for "the upgrading of all of these segments". Of course, the uncooperative attitude of Missouri Pacific with regard to Amtrak speed limits produces results not unlike those which stem from poor track conditions.

We would urge Amtrak to make use of provisions in the law passed by Congress in 1973 to insist on getting better service from the railroads.

On track improvements, yesterday the 1976 rail bill was signed; you had worked on it for so long and so hard before it was passed in December. Congress kept it and reworked it as a result of negotiations with the administration, because the administration didn't like it and probably still doesn't. I think the administration negotiated in bad faith and I think this was proved in the testimony before the Appropriations Subcommittee.

Prodded by the administration, you cut back the amount to be spent on the corridor. Now they don't want to spend anything this year on corridor improvements. It was widely publicized last year that Amtrak was committing \$15 million to improve the track on the corridor between Boston and New York and Amtrak put all of that money into operation to make improvements.

The administration said it would spend \$25 million from New York south and that money has not been spent. Maybe some of it has been committed, but not much. They are asking for nothing this year in appropriations for the corridor improvements.

The railroads will never be able to get in proper shape to give adequate rail passenger service unless something is started. The tracks are deteriorating faster than the work is being done to improve them.

I think Congress has to call the administration to answer why it is not following through on the agreement.

ROUTE STRUCTURE

We are a national organization whose members pursue route expansion projects on a local or regional basis, and we sometimes support them and sometimes don't, but it is their business.

However, certain gaps in the route structure seem obvious and worth mentioning. They include Dallas-Houston, Chicago-Florida via Atlanta, and New Orleans-Jacksonville.

There is nothing across the southeast, which was badly neglected by Amtrak, except what Southern Railway had done.

Mr. ROONEY. I read your statement last evening and that was one of the points I wanted to bring up today.

Are you suggesting that Amtrak should be reorganized rather than having a system that circles the United States, to look at the good markets, is that it?

Mr. BEATY. Yes, I do. I think this is the opportunity Amtrak has to prove that rail passenger service will be utilized if it is provided.

Mr. ROONEY. You are the only witness that brought that subject up and I think it is a very excellent point, and I concur with you completely.

Mr. BEATY. Thank you. Just something which I skipped over rapidly two points ago, from Washington to Richmond, two major cities—the capital of the State and Norfolk, a major port—there is no real service between these points in this area. This could be developed.

Mr. ROONEY. How could it be developed or restructured?

Mr. BEATY. They could have daytime service leaving at both ends and providing good departure and arrival times so a person could come from Richmond to Washington or Philadelphia, because a lot of regional offices of the Federal Government are based in Philadelphia, so they could do their day's business and go back that night.

You talk about business travel, the shift of that from railroads to airlines, as being what hurts the railroads and improved the airlines: it is this kind of business, Government travel and business travel related to the Government which could provide the patronage needed there.

In this Bicentennial, patriotic year, that particular service would also serve Williamsburg-Yorktown, and there are great possibilities if they could throw in some daytime services here.

You have read my route structure business, so I will skip over it.

COST-EFFECTIVENESS

While we will continue to work for the route additions suggested above, we are also working just as hard on improving the economics of passenger train operations because we share the concern of the general taxpayer about those Government subsidies which are genuinely unnecessary.

For example, at a recent conference on intercity rail passenger service at Carnegie-Mellon University, NARP raised with FRA and Amtrak officials the question of whether equipment-design standards are unreasonably stringent, leading to higher operating costs than are necessary. NARP's founder, Anthony Haswell, urged Amtrak to

consider rebuilding a larger number of its older cars in light of the high cost of new equipment and the essentially commuter use which is made of many of Amtrak's older cars. Haswell also returned to a point which he made effectively more than 4 years ago before the Senate subcommittee: the need for labor and management to get together on the intercity passenger train issue.

I have a copy of it, but will give you a reference of it because you—your committee—probably have it in the printed 1971 testimony.¹

Interestingly, an Amtrak vice president, F. S. King, agreed that Haswell's criticisms were generally valid, though Amtrak has successfully negotiated a few local improvements in working agreements. Breakthroughs in freight—such as the ability of Illinois Central Gulf to operate some piggyback trains with two- or three-man crews, and the tentative agreement which Missouri Pacific has to permit road crews to do some terminal switching work—demonstrate that organized labor is sensitive to the railroads' competitive situation and need not be an obstacle to progress if management is only willing to take reasonable initiatives.

Certainly, if service is more economical and thus more frequent service can be provided, then there will be more jobs for organized labor and the railroad unions.

We are not modal fanatics. I fly regularly, and my assistant logged almost 2,500 miles on intercity buses during the past year. We recognize that all modes have appropriate roles to play in a balanced transportation system. But the public statements by the National Association of Motor Bus Owners and the airlines cannot go unanswered.

Buses and airlines and, most of all, the private automobile do receive Government subsidies, if indirect in many cases.

And this is the item I wanted to put in the record, and I think you will find it interesting, which has to do with how much, as Mr. Skubitz was talking about, how much is not charged to the airlines; how much is impossible to charge to airlines. We figure there is over \$1 billion a year spent that the airlines do not contribute to repayment through their payments of landing fees and whatever else they pay. I would like you to read it when you get a chance.

The interstate highways obviously would never have been built if the intercity bus industry would have been their only beneficiary and the user-charge argument for highway construction is hollow because many of us contributed unhappily to the Highway Trust Fund because we had been deprived of alternate means of transport.

We believe that air and bus interests veatly overstate the degree to which Amtrak has hurt their revenues.

The airlines have been in trouble for years. The continuing trouble and a little bit of competition between here and New York is not going to break Eastern unless Eastern is in bad shape anyway.

Mr. ROONEY. Mr. Beaty, this billion dollar figure, break that down.

Mr. BEATY. Well, it is based, the whole thing is based on Mr. Haswell's analysis of a statement that DOT made in 1974, in which they insisted that the total subsidy was very small to the airlines.

¹ Pp. 88-94 of Serial No. 92-29, hearing before the Senate Commerce Subcommittee on Surface Transportation, October 26, 1971.

It is much larger than that. I almost have to go through it step-by-step to explain it.

For one thing, they charged 51 percent of all of the outlay to commercial aviation and I guess the rest is broken down between general aviation and perhaps military.

We feel that realistically, the airports have to be built. The length of the runway, the heaviness of the construction is based on the commercial air service and would be built anyway, whether there is a single privately owned plane or a single company-owned plane.

So the 51 figure is too low, but even with that, it is a rather high figure.

Quoting from this, it seems rational to assume if general aviation was treated as an incremental user, its share of costs would not exceed 10 percent compared to 29 percent allocated by the DOT study.

Let me read a little of this third paragraph,

Congress has mandated that all aviation user charges flow into the airport and airways trust fund, the proceeds of which can not be used for operational expenses as distinct from capital improvements. The result is no part of the cost of maintaining an air traffic control system can be financed by user charges.

It is not. This is something which the Government, because it feels we need a good air system and a reliable one, is willing to contribute a little money, and we favor this. We also favor the Government seeing to it that there is a good railroad system and a good highway system for buses and private car owners.

I put this in the record.

Mr. ROONEY. Thank you. You were on the bottom of page 5.

Mr. BEATY. OK.

Note then, in 1971 when Amtrak wiped out half of all intercity rail passenger trains on May 1, intercity bus passenger miles were nevertheless higher than in 1972, and that in 1973 both rail and bus gained riders. Amtrak has stimulated more promotion by the bus companies than ever before, and we think the removal of bus monopoly over intercity ground transport has had an overall beneficial effect in terms of increasing efforts to get people out of their automobiles—the real goal for all public transportation systems, because of energy savings and traffic congestion in our major corridors and cities.

We note with interest that airlines are now adding “federally subsidized competition from Amtrak” to their laundry list of reasons for their financial problems. I am repeating myself, but we doubt that Amtrak has a meaningful impact on any long-distance air traffic, and we suspect that diversion of short-haul traffic, if it is occurring—highly unlikely at this time outside New York-Washington—is in the public interest.

Buses simply do not have the capability of attracting many passengers who would ride trains, and airplanes are not energy-efficient over the short haul. Thus we cannot accept their complaints about Government subsidies to Amtrak which are merely redressing the imbalance created largely by the Government over the past few decades, and their professed concern about public subsidies to Amtrak which we believe stems from a narrowly conceived self-interest.

A figure we have quoted before and you read a number of times, USRA shows that over \$450 billion¹ has been spent by all public bodies, Federal, State and local, on transportation since 1920, and less than 1 percent of it has gone to railroads and the rest went to highway systems, weather systems, airway control systems, airports and so forth.

Mr. ROONEY. Bargelines.

Mr. BEATY. Yes, sir. Absolutely. And thank you for the opportunity to unburden myself.

[The article and letter referred to follow:]

[From the Passenger Train Journal, Winter, 1974-75]

(Comment by Anthony Haswell, National Association of Railroad Passengers)

THE HIGH FLYERS

In NARP testimony before both the Senate and House Commerce Committees last June, I took issue with Transportation Secretary Claude S. Brinegar's assertion at the National Press Club on May 14 that he knew of no program for airline subsidies other than the \$60 million local service subsidy administered by the Civil Aeronautics Board (CAB). I asserted that "In fiscal years, 1974 and 1975, the federal government will spend over \$1 billion each year for operation of the air traffic control system, without which no airliner would fly," and added that these expenditures were not financed by user charges.

Since then, Secretary Brinegar has vigorously defended his position. What are the facts?

The Secretary relies on a September 1973 DOT study which concluded that the cost of federal support for airways and airports should be allocated as follows:

Commercial aviation (air carriers) 51%
General aviation (private flying) 29%
Military & Government 20%

The DOT report then estimates the following results for fiscal years 1973, 1974 and 1975:

[Millions of dollars]

	1973	1974	1975
1. Total Federal aid to aviation.....	\$1,433	\$1,583	\$1,850
2. Military and government share (20 percent).....	287	317	364
3. Commercial and general aviation share (80 percent).....	1,146	1,266	1,486
4. Total user charges collected from commercial and general aviation.....	789	879	976
5. Subsidy to commercial and general aviation (3 minus 4).....	357	387	480
6. Commercial aviation share of Federal aid (51 percent).....	730	807	928
7. User charges collected from commercial aviation only.....	707	972	882
8. Subsidy to commercial aviation only (6 minus 7).....	23	15	46

While \$46 million is hardly "de minimus," I won't quibble with the Secretary that the above figures indicate that the airlines are substantially paying their way. However, there are several problems with the underlying assumptions of the DOT report.

First.

The figures for total federal aid to aviation are apparently understated by about \$200 million per year. The actual amounts appropriated by the Congress for FY 1975 for the Federal Aviation Administration are as follows:

¹ P. 4, "Preliminary System Plan, Vol. I.

Air traffic control system :	millions
Operation and maintenance -----	\$1376
Research, development, engineering -----	58
Facilities and equipment -----	227
Airports grants-in-aid -----	280
Environmental and safety, research and development -----	12
National capital airports	
Operations and maintenance -----	15
Facilities and equipment -----	6

1974

To this should be added those government expenditures for the benefit of aviation outside the FAA budget, which according to DOT are running about \$25 million per year. The total amount of federal aid for aviation in FY 1975 is therefore \$1.999 billion, \$179 million more than DOT's figure of \$1.820 billion.

The error arose because DOT chose to amortize the cost of expenditures for capital improvements rather than simply to include the actual expenditures for each year, and at the same time, for reasons unstated in the report, chose to exclude such expenditures prior to 1966. Since it is obvious that annual federal expenditures for such capital improvements are going to continue at a relatively constant, if not rising, level, for the indefinite future, I question the relevancy of amortization. But if an amortization formula is used, account must be taken of the cost of all equipment and facilities which still have useful life, no matter how long ago the expenditures therefore were made.

On the assumption that FY 1975 federal expenditures for aviation are \$1.999 billion rather than \$1.820 billion, the commercial aviation share becomes \$1.019 billion (51% of \$1.999 billion). Furthermore, the most recent estimate of user charges to be collected in FY 1975 is \$951 million, \$25 million less than shown in the DOT report, of which the commercial aviation share (90.4%) is \$860 million, \$1.019 billion less \$860 million leaves a commercial aviation subsidy of \$159 million. The following table summarizes the necessary adjustments:

	Fiscal year 1975 (DOT 1973 estimate)	Fiscal year 1975 (adjusted)
1. Total Federal aid to aviation -----	\$1,820	\$1,999
2. Military and government share (20 percent) -----	364	400
3. Commercial and general aviation share (80 percent) -----	1,456	1,599
4. Total user charges collected from commercial and general aviation -----	976	951
5. Subsidy to commercial and general aviation (3 minus 4) -----	480	648
6. Commercial aviation share of Federal aid (51 percent) -----	928	1,019
7. User charges collected from commercial aviation (90.4 percent) -----	882	860
8. Subsidy to commercial aviation only (6 minus 7) -----	46	159

Second.

I believe the DOT allocation formula, which for FY 1975 allocated 51% of federal aviation support costs to commercial aviation and 29% to general aviation, is unfairly slanted in favor of the former and against the latter. A realistic evaluation of the relationship between commercial and general aviation compels the conclusions that the vast majority of airway and airport facilities would be needed in their present form for commercial aviation if general aviation did not exist; that most of these facilities would not have been built and operated if commercial aviation did not exist; and therefore, general aviation should be treated as an incremental user of facilities needed for commercial aviation.

It follows that general aviation should be charged only with the cost of additional government services and facilities required to accommodate its operations over and above the requirements of commercial aviation. DOT has apparently not made a study based on this assumption. However, it seems rational to assume that if general aviation were treated as an incremental user, its share of costs would not exceed 10%, compared to the 29% allocated by the DOT study. Commercial aviation's share would rise from 51% to 70% of \$1.999 billion is \$1.399, which exceeds commercial aviation user charges by \$539 million.

Third.

Congress has mandated that all aviation user charges flow into the airport and airways trust fund, the proceeds of which *cannot* be used for operational expenses as distinct from capital improvements. The result is that no part of the cost of operating and maintaining the air traffic control system can be financed by user charges.

In addition, the expenditures for environmental and safety research and development, national capital airports, and non-FAA items are outside the trust fund. For FY 1975, non-trust fund federal aviation support will total \$1.434 billion, of which the commercial aviation share on a 51% basis will be \$731 million and on a 70% basis will be \$1.004 billion.

DOT has recommended to Congress that user charges in excess of expenditures on capital improvements be made available for operating expenses. There is now a substantial surplus in the trust fund. While this makes sense, the Congress has refused to allow it. I am told that aviation interests are strongly opposed, and that in 1975 they will be working for an increase in trust fund capital improvement spending and/or a decrease in the user charges which finance the fund. Therefore, the prospect is that the fund will be brought into balance, and that no part of the huge expenses of operating and maintaining the airways system will be financed by it. If so, the correct measure of airline subsidies is the airline share of all aviation expenditures now made out of general funds—\$700 million to \$1 billion.

I do not oppose past and continuing federal expenditures for the benefit of aviation. Air transportation has been and will continue to be of great value to our country and certainly is an essential part of a balanced transportation system. I do object to responsible government officials attacking Amtrak subsidies at the same time they are proclaiming that the airlines are not being subsidized. The facts are that domestic air transportation as a whole (excluding military and government) is receiving an annual subsidy of \$648 million of which the commercial airline share is at least \$159 million and is probably much closer to \$539 million. These figures do not include the CAB local service subsidies, now about \$60 million annually, the only subsidies recognized by Mr. Briuegar.

COMMONWEALTH OF PENNSYLVANIA,
DEPARTMENT OF TRANSPORTATION,
Harrisburg, Pa., October 14, 1975.

MR. STANLEY HAMILTON,
Director of Public Affairs,
National Association of Motor Bus Owners,
Washington, D.C.

DEAR MR. HAMILTON: Governor Shapp has received your letter of September 16 concerning Amtrak. I have been asked to acknowledge your plight.

We certainly agree that the bus industry provides a needed service in most areas, and that you cannot compete directly against the government. We look to Section 147 of the Federal Highway Act to avoid loss of essential service in rural areas.

We also agree that Amtrak has often been inefficient, with unreasonable costs, but like you, we concede that some rail service, certainly less than bus, is essential or necessary. We look to Amtrak's new management to improve the situation.

There is a gross inequality between bus and rail economics that we must consider in the public interest that you may not have considered.

Whereas bus lines operate over a trillion dollars worth of publicly maintained rights-of-way, paying no interest charges or ad valorem taxes on such property, the railroads must pay all of these charges, in part to build highways for you, without any net public aid of consequence until Amtrak. Congress has required Amtrak to operate certain trains for social purposes that should not be charged to Amtrak's inefficiency.

We see no evidence that the bus industry has been hurt by Amtrak. In 1970, before Amtrak, your Class I members carried 14.17 billion passenger miles. In 1971, Amtrak wiped out half of all the intercity rail passenger trains in the nation, yet in 1972, Class I bus lines served only 13.58 billion

passenger miles. Clearly, discontinuing trains will not automatically aid bus lines. In 1973, as Amtrak gained riders, so did the bus lines. Your interests are more parallel than diverse.

May I caution you that your energy comparisons are not fully realistic? Buses produce 80 passenger miles per gallon of fuel, not 282 which assumes no empty seats. Rail diesel cars comparable to buses in amenities average about 70 passenger miles to the gallon, a little less than buses, but much better than automobiles from which the trains attract most passengers.

Similarly, your comparison of \$17.60 per train mile against 96.9¢ per bus mile is odious, since a 640-seat train is 13 times as useful as a bus, and is charged for its share of Penn Central's return on investment, a cost not charged to highway carriers for use of the highway system.

We should work together to maximize public transportation by bus and rail to save the precious energy we have wasted and to reduce the overloads on highways that are not adequate for automobiles alone.

Sincerely yours,

E. L. TENNYSON,
*Deputy Secretary,
Local and Area Transportation.*

Mr. ROONEY. That seems to be a very fine pro-Amtrak statement. Did they help you draft it?

Mr. BEATY. No, they have not even offered us support. We don't even get passes or anything like that.

Mr. ROONEY. I enjoy having you before the committee because of your great interest in the railroads and I appreciate your being here today.

Let me ask you a question. You referred to the airline executive and other bus executives that were here today.

Do you ever travel on a bus or a plane?

Mr. BEATY. Yes sir. We both do. We travel by train when we can. I have ridden busses all across the country and I am glad they are there when I need them and I hope they continue to be there.

Mr. ROONEY. So you're not a modal fanatic?

Mr. BEATY. Not at all. But I think we need a better network of rail service.

Mr. ROONEY. Mr. Skubitz.

Mr. SKUBITZ. I have one question.

On page 3 of your testimony, you say:

The uncooperative attitude of Missouri Pacific with regard to Amtrak speed limits produces results not unlike those which stem from poor track conditions.

Will you elaborate on that?

Mr. BEATY. Yes, sir. Missouri Pacific, I think, is a good railroad and maintains the tracks in good shape. Passenger trains could easily run 79 miles an hour over much of the track it travels on the Missouri Pacific system, but are held to 60 miles an hour or less by the railroad.

Mr. SKUBITZ. Why?

Mr. BEATY. I have no idea. I know that Amtrak is concerned about it. We can provide some material on that.

[The following material was received for the record:]

[From The Clearance Card, September 1975]

AFTERMATH OF ICC HEARING

At the ICC hearing on May 15th devoted to Amtrak adequacy of service tapes were made which accurately recorded the entire proceedings. A presentation was made by the Missouri Pacific Railroad in which their attorney

Interrogated an operating official in order to bring out facts which they wanted documented. Since that time numerous interested and knowledgeable parties both in and out of railroading have listened to the tapes and have offered information and opinions a number of which would indicate that MoPac testimony might leave much to be desired in regard to accuracy. The following is composed from the information they have provided after hearing and making critiques pertaining to the subject matter:

It has been pointed out previously that a locomotive engineer was discharged from his job for exceeding the 60 mph MoPac speed limit (but not the ICC 79 mph limit) between Little Rock and Poplar Bluff. In connection with this the official stated that the best possible time this 180 miles could be covered in under the 60 mph speed limit is 3 hours 20 minutes. If so, it might be asked why the present Amtrak schedule is 3 hours 40 minutes.

Much emphasis was placed on speed restrictions through such cities as Austin, San Antonio, and Taylor and it was stated that "every town you go through restricts the speed". Some cities do have but many more do not have these restrictions. In fact a check of the MP-T&P system timetable #5 effective 12:01 am Sunday, August 11, 1974 (used as a reference during the hearing) reveals that fewer than one-third of the cities have these restrictions. From Poplar Bluff to Little Rock they are as follows: Corning 50 mph, Walnut Ridge/Hoxie 50 mph, Newport 40, Bald Knob 40, and Judsonia with a 55 mph curve restriction of 55 mph. This is a total of 5 cities in which speed must be reduced below the usual 60 mph speed limit. Since New Port and Walnut Ridge are station stops this from a practical standpoint leaves only 3 cities imposing limits or an average distance of 60 mph between ordinance restrictions within the 180 mile distance.

Quite an issue was made regarding curve restrictions. The following are examples of tangent track mileage between curves: Poplar Bluff to Harvell 8 miles, Harvell to Corning 20 miles, Knobel to Walnut Ridge 22 miles, Hoxie to Diaz 35 miles. There are many additional miles both in Arkansas and Texas without curves. The segment between Longview and Fort Worth is exceptionally straight and the area between Milano and Laredo has many segments of 10 or more miles between curves. The statement comparing the Santa Fe being able to run 90 mph over the plains of Kansas and Oklahoma with MoPac following the rivers in Arkansas, Missouri, and Texas is ambiguous and misleading. The MoPac never experienced any difficulty operating their own passenger trains 79 mph along these rivers, wherever they are, and there is no evidence that any of them have changed their course.

Another subject which came in for much attention was braking speeds in relation to signals and track condition. Quoting from the May, 1968 issue of the "MoPac News" based upon figures issued by the Oklahoma Corporation Commission, "It takes an eight car passenger train 3500 feet to stop if brakes are activated when the train is traveling 60 mph. At 80 mph the distance is 6000 feet. A 150 car freight train moving at 50 mph requires a distance of 7000 feet—roughly one and one-third miles to stop." Computations based upon this would indicate over 10,000 feet for the same freight going 60 mph. This demonstrates that the stopping distance for freights is far greater than passenger trains even if the freight speed is slower which further justifies higher passenger speeds with no loss of safety. The official's reference to the fact that the Amtrak schedule at 50 mph is almost the same as the earlier 79 mph MoPac schedule between Milano and San Antonio is misleading. This was a southbound schedule which included padding to insure arrival in San Antonio on time. The northbound MoPac schedule was 48 minutes faster than Amtrak's. Padding in this amount is uncalled for particularly when connecting major cities over a competitive routes.

During the past 15 years the MoPac has been upgrading their right-of-way with welded rail and in reference to this the official made the statement that they were then out of the passenger business and as new signals, sidings, crossovers, etc. were installed they were based on and set for 60 mph freight train speeds. Actually, passenger trains operated over this segment of new facilities as late as April 30, 1971, and over the entire main line as late as October, 1970. As far as new sidings, crossovers, and turn-outs (trackage which deviates trains from the high-speed main line) are concerned the MoPac and T&P never had any of these items which permitted speeds of over 50 mph

even when numerous daily passenger trains were operated. When a train left the main line it slowed to speeds of 50 mph or less, a factor which has not changed dictating no needed decrease in passenger speeds. It is also significant that during the past 10 years freight train speeds have been raised on most main lines from 50 mph to 60 mph. Since, from the above, freight stopping distances are obviously greater than passenger particularly when freight speeds have been increased there would be no call to space block signals closer together. The opposite would actually be true in many cases as freight speed increases and train lengths increase. Several have challenged the MoPac to produce any work order proving that a block signal interval in main line territory has been shortened or that a grade crossing signal activator has been moved closer to the crossing. A large number of automatic crossing signals are located in urban areas where speed restrictions are in effect and are the same for freight and passenger trains so there would have been no point in moving the activators since the speed has not changed. Comparatively few country crossings have automatic signals.

On the subject of curve super-elevation a challenge has also gone out for the MoPac to produce evidence that any substantial number of reductions have been made. Track people state that the MoPac always operated with a 2 inch unbalanced super-elevation which meant that it was never fully compensated for 79 mph operation but represented a compromise between this and slower freight operation. This resulted in a slightly rougher ride around curves than could have been obtained with a 2 inch higher outer rail but was within the limits of safety. It does not appear logical that the railroad would have seen fit to reduce beyond this point particularly when freight speeds were being increased.

The official was queried by the Amtrak lawyer if he was familiar with the term "freight train interference" to which he replied in the negative. Although it is common practice for the MoPac to violate ICC directives and side-track Amtrak trains for freights the railroad has never filed any applications with the FRA to grant priority for their freights as permitted by regulations. This practice is indulged in arbitrarily.

The official stated that the maximum speed for passenger trains of 50 mph between St. Louis and Poplar Bluff was the same under MoPac operation as it is now for Amtrak. Prior to May 1, 1971 the speed was 60 mph. This reduction below 79 mph was due to mountainous topography and numerous curves.

The MoPac attorney asked the official if the track changes and modifications to curves were made after MoPac ceased all passenger operations to which the official replied in the affirmative. The MoPac never ceased operation of passenger trains between St. Louis and Kansas City. Prior to May 1, 1971 MoPac ran their trains at 79 mph over this segment. When Amtrak took over this was dropped to 65 mph and later to 60 mph. The official could not give any dates when curve super-elevation was removed. The Amtrak attorney asked if it was done between May 1, 1971, and the present date of May 15, 1975. It was pointed out that during this period the MoPac was under contract with Amtrak to operate trains over any of its lines and the track must be maintained to levels existing on May 1, 1971.

The following from MoPac Arkansas Division Timetable #34 effective 12:01 am Tuesday, July 1, 1958 contains the following information: Maximum speed for freight trains is 50 mph. Maximum speed for standard heavyweight passenger trains pulled by diesel locomotives was 75 mph and for lightweight streamlined trains pulled by diesel locomotives was 79 mph. The following amendment pertained to passenger trains in both categories: "curves with slow speed signs, five mph above speed shown on slow speed signs". All passenger trains were allowed 5 mph additional speed if pulled by diesel locomotives. This would imply that even if super-elevation had been removed passenger trains could still operate 5 mph faster around these curves than could freights as no concession was made for diesel powered freights. The only change which employees and others can detect that has been made to curves is that speed signs on curves restricted to 65, 70, and 75 mph have been removed. In order to operate safely on 79 mph schedules it would only be necessary to replace these signs.

During the first few weeks of operation of Amtrak's "Inter-American" there was some laxity in enforcement of the various speed edicts. Later a "get tough" policy was instituted which not only enforced the 60 mph speed re-

striction but specifically forbade the engineers from making up time. Prior to this the train had made up when late as much as 3 hours between St. Louis and Laredo. St. Louis to Little Rock was covered in 6 hours 20 minutes compared to the scheduled 7 hours 30 minutes with 70 mph being recorded, and San Antonio to Laredo was covered in close to 3 hours as compared to the scheduled 3 hours 50 minutes. At least 4 hours could be cut from the run of the "Inter-American" and 1 hour 10 minutes from the "National Limited" between St. Louis and Kansas City with no loss of safety. In the light of these and other facts continued investigation into the motives for limiting the operating and sales potentials of Amtrak trains by the Missouri Pacific Railroad is warranted.

[From the St. Louis Post-Dispatch, December 18, 1975]

AMTRAK BLAMES MO-PAC FOR DELAYS

In 1959, a passenger train leaving Kansas City would reach St. Louis in five hours. Today that train, now under the operation of Amtrak, will take 45 minutes longer, according to published timetables.

Amtrak spokesmen lay the blame on the Missouri Pacific Railroad, saying the line holds the passenger trains to slower operating speeds than we allowed prior to Amtrak's take-over of most of the nation's rail passenger service in 1971.

Then, Missouri Pacific operated its own passenger trains, and permitted them to run at faster speeds. Today the railroad, which owns the track on which Amtrak trains operate between St. Louis and Kansas City, almost always holds the passenger trains down to freight train speeds, a fact that irks Amtrak officials.

In effect, an Amtrak spokesman said in an interview, the slower speeds have placed Amtrak at a major competitive disadvantage with other forms of transportation. It is the one issue over which Mo-Pac and Amtrak, formally the National Railroad Passenger Corporation, have been at odds for some time, he said.

Paul H. Reistrup, president of Amtrak, came to St. Louis last summer to confer with Missouri Pacific officers about several problems, including the maximum speed for passenger trains, a spokesman for Amtrak said.

Despite Reistrup's appeal for higher passenger train speeds of 19 or 20 miles an hour faster than freight train speeds, the spokesman said.

Missouri Pacific officers, however, say that Amtrak is satisfied the the railroad's performance. They deny that they have hampered Amtrak service on their railroad.

Critics of the railroad's handling of Amtrak trains say that an excessive number of passenger train delays has been caused by freight train interference.

"The Missouri Pacific has definitely been blocking Amtrak at every turn," said one source. He said that the railroad apparently wants the passenger trains to incur so many losses, and prove so inefficient to run, that Amtrak will eventually drop service on these routes.

Amtrak trains to and from St. Louis operate on two routes controlled entirely or in part by the Missouri Pacific Railroad. The Inter-American operates between St. Louis and Laredo, Tex. The National Limited runs between New York and Kansas City, on MoPac-owned track between St. Louis and Kansas City. East of St. Louis, the train runs on tracks of the Penn Central Railroad. Passenger trains from here to Chicago run over the tracks of the Illinois Central Gulf Railroad.

One source noted that passenger travel on the St. Louis to Laredo route had dropped 25 percent from September 1974 to September 1975. Passenger use dropped 39 percent from January to September of this year. In both cases, these were the biggest decreases in passengers reported on any long-distance route operated by Amtrak, spokesman said.

Larry Camp, an Inspector for the Interstate Commerce Commission, testifying at an ICC adequacy of service hearing in Washington last June concerning the Inter-American said that he had interviewed H. E. Handley, assistant general manager of Missouri Pacific-Texas & Pacific in Fort Worth. The T&P is a Missouri Pacific subsidiary.

"Following a review of records on the operation of trains between Fort Worth and Texarkana," Camp testified, "I told him that I had noticed there was some deadtime built into the schedule, because the train kept making up time, as much as an hour and 10 minutes at some points."

"I asked him (Handley) if he had noticed this. He indicated he had and I asked him if he had made attempts to get the schedule changed to be more realistic. He indicated he had not."

"I asked him why. He said it would not be to our advantage—to MoPac's advantage."

"Did you know what he meant by that?" Camp was asked.

"Yes," he replied. "I think it was very clear that he was speaking—you know—the Mo Pac would be under more pressure if they had to run the trains faster."

Camp had worked for the MoPac for 2½ years before joining the ICC.

One source cautioned, however, that the decrease could be attributed to reasons other than Mo-Pac's handling of the trains.

The source cited 74 separate instances of Amtrak train delays that were caused by freight train interference in the month of October. The delays ranged in length from several minutes to almost one hour.

The Amtrak Improvement Act of 1973 requires railroads to give priority to passenger trains when a conflict arises with freight trains.

Although some instances of freight interference probably are unavoidable, Camp conceded, "the majority of these are avoidable."

MoPac denies that it gives priority to its freight trains when they conflict with passenger train movements except when there is no other choice. An unavoidable delay on a single stretch of track may occur, officers say, when two trains meet head on going in opposite directions. In this situation, one train must be sidetracked while the other continues through.

Often the side tracks are simply too short for the lengthy freight trains now in use, said Howard H. Olmsted, general manager for Amtrak operations of Missouri Pacific.

Where a freight train will not fit, he said, the passenger train must be sidetracked, at times for up to 30 minutes, he said.

Harry E. Hammer, Mo Pac assistant vice president for public relations, said that traffic controllers are faced with the complex problem of handling more than 400 freight trains daily in addition to the passenger trains.

Most of the delays "are invariably due to things we have no control over," he said such as derailments or equipment. "It has to happen on every railroad in the world."

Amtrak trains operate on Mo-Pac lines arrived on time 75 percent of the time in October, while the national average for the same period was 78.5 percent, an Amtrak spokesman said.

Late arrivals present a real problem for Amtrak, a spokesman said. In addition to losing customers because of unreliable performance, Amtrak has had to hold trains so that passengers on late-arriving trains could make their connections. At times, the passengers have been flown to their destinations when they missed their connections.

MoPac reported that 22 percent of the delays of Amtrak trains on its lines during October resulted from freight train interference. Nationally, just over 5 percent of the Amtrak delays were attributed to freight interference.

Hammer admitted that passenger trains used to operate at faster speeds. At the time, he said, the railroad operated more passenger trains than are now in operation under Amtrak, and that therefore it was more economically worthwhile to run them at higher speeds. "Maintaining track for higher speeds is extremely costly. If they want these higher speeds, then Amtrak is going to have to pay for it," he said.

Amtrak now pays only the "out-of-pocket" costs incurred by the railroad in operating the trains, Hammer said.

Sources close to Amtrak say the corporation has considered appealing to the Department of Transportation to force the railroad to allow higher speeds for passenger trains. For the time being, they have chosen to work with the railroad toward that goal. "You catch more flies with honey than vinegar," one source said.

"All of our equipment is perfectly capable of running at 100 miles per hour," he continued. "Our point is, the track is perfectly capable of handling our trains at a higher speed. The track is in excellent shape. Mo Pac runs a good railroad. If Mo Pac took as good care of us as the rest of their customers, we'd be in good shape."

Sources as Amtrak say that the railroad's own reports of the delays of passenger trains are at times incomplete. Some delays are omitted from the daily report, and are discovered by outside means, one source said. "I do find discrepancies on every ride I have taken," he continued.

When asked whether any delays have been omitted from the daily reports, Olmsted replied: "not to my knowledge."

One source at Amtrak charged that Mo-Pac is "utterly uninterested in handling passenger trains. Of all the lines we deal with in this country, that railroad is dead last," he concluded.

Mo-Pac officials denounced the criticism. "I would say we would be among the better railroads" regarding the handling of Amtrak passenger service, Hammer said.

"I think that Amtrak would be very happy if every railroad in this country performed as well as Mo-Pac does."

[From the St. Louis Post-Dispatch, Sunday, January 4, 1976]

AMTRAK AND MO-PAC

A copy of the story "Amtrak Blames Mo-Pac For Delays" was sent to me by rail passenger advocates in your city.

It is good to see these facts being exposed to the public as the issue has been smoldering for some time and should be surfaced. We have been quite concerned here in the Dallas area about the adverse effects that Mo-Pac recalcitrance is having in holding back the potential of the "Inter-American" both to St. Louis and to Laredo.

Dallas has quite an investment in Amtrak service. After voting \$6,000,000 in bonds in 1972 to purchase the Dallas Union Terminal, voters returned to the polls last week and voted another \$2,300,000 for further renovation of the property. We are naturally interested in obtaining the best possible service.

Other roads such as the Union Pacific and Santa Fe do a good job of handling Amtrak trains. We feel that Mo-Pac can too if they will adopt the proper attitude.

M. D. MONAHAN,
Dallas City-County,
Amtrak Committee, Garland, Tex.

Mr. SKUBITZ. Has Amtrak ever asked to exceed 60 miles an hour?

Mr. BEATY. I think they have. I think there have been some negotiations, but they have not been public.

Mr. SKUBITZ. Well, it has nothing to do with poor tracks?

Mr. BEATY. Not at all, but it slows it down just as much as if it had bad track. When you passed the Amtrak Improvement Act of 1973, it was provided that Amtrak could go to the Secretary of Transportation and insist that the railroad be required to run Amtrak trains at a speed that was safe in connection or in regard to the quality of the track. I wish Amtrak would do that.

It is quite possible they are trying to negotiate in a more diplomatic way than I am saying, but it has to be speeded up. It has been a long time.

Mr. SKUBITZ. Thank you.

Mr. ROONEY. Thank you very much. I appreciate your being here. Our next and last witness is William H. Mahoney.

You may proceed, Mr. Mahoney.

**STATEMENT OF WILLIAM G. MAHONEY, ON BEHALF OF THE
UNITED TRANSPORTATION UNION**

Mr. MAHONEY. Thank you, Mr. Chairman. If I may, I would like to read my statement. I am a fast reader and I have a couple of changes I want to make as I go through it.

Mr. Chairman and members of the subcommittee:

My name is William G. Mahoney. I am a partner in the law firm of Highsaw & Mahoney, 1015 18th Street NW., Washington, D.C. 20036. I am here today to present to you the views of the United Transportation Union on a subject of critical importance to the hundreds of members of that union who are employed by Amtrak and by those railroads maintaining operational service agreements with Amtrak and to the public. I was to be accompanied by Mr. J. R. Snyder, national legislative director of the United Transportation Union, but he had to leave the room an hour ago to catch an Amtrak train.

It is obvious to anyone who has witnessed the decline of rail passenger service over the past 20 years that only a massive Federal effort can preserve this necessary mode of transportation. The recent history of rail passenger service has been most depressing to say the least. In 1958, the Congress enacted a Transportation Act designed to assist the railroad industry which was even then in serious financial difficulties. In section 5 of that act, the Congress amended the Interstate Commerce Act by the insertion of a new section 13a. This provision, according to its legislative history, was drafted to permit the railroads to eliminate a very small percentage of passenger trains that recalcitrant State agencies would not permit be abandoned. The problem to which section 13a was directed was of a temporary emergency nature but, unfortunately section 13a was not provided an expiration date and remains law today except as suspended by the "Amtrak law."

Substantively and procedurally, section 13a was described by the Federal courts as an open invitation to railroads to abandon passenger service. Quite understandably, most of the railroads took advantage of the opportunity provided by section 13a. Over the next few years, the quality of passenger train service deteriorated rapidly and even the diehard passengers fled from the rails. Indeed, the situation was so flagrant that in at least one instance, in which I was counsel, the Interstate Commerce Commission concluded, following a lengthy hearing, that a major railroad had deliberately deteriorated the quality of its service in order to drive away its patrons.

We do not place all the blame for this situation upon the railroad managers because, in the honest view of many, passenger service—even a break-even or marginally profitable passenger service—was an anchor which held back the greater progress a railroad could achieve if it could take the money tied up in passenger service and invest it in the more profitable freight operations of the company.

In any event, hundreds upon hundreds of trains were eliminated forever from the rails of this country as a direct result of the enactment of the Transportation Act of 1958.

In 1970, realizing that the total demise of intercity rail passenger service in this Nation was imminent, the Congress enacted the Rail Passenger Service Act of 1970. Upon Amtrak's effective acquisition of responsibility for rail service under that act, many more trains were discontinued and hundreds of rail passenger facilities in this country abandoned.

Amtrak inherited dilapidated, outdated equipment and a right-of-way over which its trains were to operate which was, for the most part, totally inadequate for the purpose. Indeed, Amtrak was required to revivify a corpse. In such circumstances, it is not at all incongruous, as alleged before this subcommittee by Deputy Secretary Barnum, that "over \$2 billion has been committed to provide transportation for less than one-half of 1 percent of the intercity travelers in the United States." To the contrary, as Mr. Barnum notes, because of Amtrak, intercity rail ridership increased at the astonishing rate of 9 percent per year in 1972, 1973, 1974, and 1975. The only other economic item to advance at a greater pace over the past 4 years has been the rate of inflation.

The progress in ridership has been all the more amazing when one considers that this Phoenix-like rise in ridership follows over 20 years of a ridership decline that had plummeted following enactment of section 13a of the Interstate Commerce Act in September 1958.

Rail ridership has taken a 180-degree turn for the better despite the serious disadvantages under which Amtrak has had to operate. This is so because people felt that Amtrak and the Government were trying to serve the public; passenger trains were no longer to be the victims of a destructive intent.

As noted by Amtrak Board Chairman Donald P. Jacobs, Congress was quite explicit as to its reasons for enacting the Rail Passenger Service Act of 1970. Congress declared among its findings and purposes underlying the enactment of the Amtrak law "that the traveler in America should to the maximum extent feasible have freedom to choose the mode of travel most convenient to his needs." That declared end, coupled with the design of the statute to cast a mold of balanced transportation for the future, requires greater emphasis in the "criteria and procedures" filed with the Congress by Amtrak on October 29, 1975, to be placed upon the effects of each addition or discontinuance of service on our future rail passenger requirements.

While we know that adequate, safe, efficient rail passenger transportation is absolutely essential to our future energy, economic and ecological well-being, it is most difficult to determine with particularity where such transportation will be necessary and to what extent it will be necessary in the future. In this connection, I might say that with regard to that pamphlet, Mr. Chairman, that you were shown a few moments ago, which was sponsored I think jointly by Continental and Eastern, "Amtrak Yesterday, Today and in the Future," I had a moment to glance at the end where it compared the pollution effects of the various modes and it seems that the train was by far the greatest in all categories of pollutive elements. I don't know whether it meant they were comparing one locomotive or group of locomotives which might pull one train, freight or passenger, to one automobile, or how that thing was set up, because I didn't have

a chance to look at it, but it goes against anything I have seen on that subject and I suggest that we analyze it quite closely.

It seems to us, therefore, as it does to Amtrak, that in dealing with Amtrak the Congress must adopt a positive approach with a view toward the full utilization and development of rail passenger service wherever the evidence indicates that the future would justify it. Such an approach will be expensive—although almost insignificant when compared with the many vast program expenditures of this country which, we respectfully submit, do not appear to be nearly as important to our Nation's welfare as a viable rail passenger network.

Amtrak is only now reaching a point where it can acquire the physical facilities to do its own maintenance work with its own employees and thereby greatly improve its service to the public. Amtrak must be aided and encouraged in all its efforts to carry out the declared purpose and findings of Congress when it enacted the Rail Passenger Service Act of 1970.

With regard to comments of the United Transportation Union on the specific criteria and procedures submitted by Amtrak to the Congress on October 29, 1975:

First: It should be pointed out that the United Transportation Union generally agrees with and supports the criteria and procedures as submitted, however, we note that they are so general in nature as to be more guidelines than criteria. They are not ranked nor weighted.

We agree with the statement of Amtrak Board Chairman Jacobs that it is most difficult to provide "any mechanistic approach to weighing or to allowing a condition where any one criteria relative to another could be consistently overridden". However, we submit that unless the criteria are made more specific they offer little to the public by way of meaningful indicators of the future expectancy of particular passenger service continuations. We believe that all criteria whether they be economic criteria, social criteria, or environmental criteria should be interpreted and applied primarily in terms of the future, not the present. In other words, each criteria should be weighted heavily in terms of the future effects of the action contemplated.

In addition, we respectfully suggest that the hearings provided in the procedures be required to serve as more than mere useful sources of information and that each passenger train discontinuance be subject to review by a Government agency in order to determine whether Amtrak has adequately complied with the criteria and procedures governing the discontinuance.

In summary, the United Transportation Union recommends that: (1) Public hearings be required to be held in all passenger train discontinuance proceedings at points convenient to those who would normally be expected to utilize the services of the subject train; (2) that decisions of Amtrak to discontinue a passenger train service be subject to review by the Interstate Commerce Commission or the Department of Transportation to determine whether the criteria and procedures for making such determinations have been adequately followed; and (3) that in the application of all criteria and procedures, primary emphasis be placed upon the future effects of the

discontinuance of a particular passenger train service in terms of the criteria specified and upon the goals and purposes of the Rail Passenger Service Act.

Thank you.

Mr. ROONEY. Thank you, Mr. Mahoney. In other words, as I understand your conclusion, if a route is continuously losing money, and I am talking about a couple of million dollars a year, your union would not object to discontinuance if they go through your three suggestions?

Mr. MAHONEY. I am not sure they wouldn't object. It all depends on how it was needed, how people rode the train, and it is possible if you want to put it in a hypothetical, in a general sense, if it is really unneeded and also uneconomical, no matter what they are losing, I don't think we would object, but if the feeling was it was needed, depending upon how much of a conclusion we might object or might not, even if it were a couple of million.

Mr. ROONEY. Thank you.

Mr. Skubitz.

Mr. SKUBITZ. I have one question, I don't know Mr. Mahoney is an authority, but, on page 3 you say, "Amtrak inherited a delapidated outdated equipment and a right-of-way over which its trains were to operate", and so on and so forth, "totally inadequate for the purpose."

Mr. MAHONEY. Yes.

Mr. SKUBITZ. Somebody asked me to ask if they also inherit a bunch of work rules that worked to their disadvantage?

Mr. MAHONEY. I don't believe so.

Mr. SKUBITZ. Suppose you have a train going from A to B, a distance of 250 miles, and the train goes 60 miles an hour, you then have two crew changes; is that correct? That is what they tell me.

Mr. MAHONEY. I don't know.

Mr. SKUBITZ. You will not be able to answer the rest of the question then.

Thank you, Mr. Mahoney.

Mr. ROONEY. Thank you, Mr. Mahoney.

Mr. MAHONEY. Thank you, Mr. Chairman.

Mr. ROONEY. This will conclude our hearings.

[The following letters were received for the record:]

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., February 17, 1976.

Hon. FRED ROONEY,
Chairman, Transportation and Commerce Subcommittee, House Commerce Committee, Washington, D.C.

DEAR MR. CHAIRMAN: Attached is a good letter that I have received from the Executive Director of the Texas Tourist Development Agency, Mr. Frank Hildebrand.

He outlines why it would be very detrimental to Texas if the President's proposed Amtrak cutback became reality.

I would respectfully suggest that Mr. Hildebrand's observations would make a fine addition to your hearing record for the Amtrak hearings held earlier this month.

Your consideration of this letter is appreciated.

Sincerely,

JAKE
J. J. PICKLE.

TEXAS TOURIST DEVELOPMENT AGENCY,
Austin, Texas.

Hon. J. J. "JAKE" PICKLE,
House Office Building,
Washington, D.C.

DEAR JAKE: Your testimony this week before the House transportation subcommittee on President Ford's proposed reduction in Amtrak's funding was highly gratifying.

We share your legitimate concern over the future of passenger rail travel if the President's proposal prevails. Consequently we would urge your continuing spirited fight to prevent Administration efforts to abort rail travel at a time when it's rapidly becoming a viable alternative to more energy consuming auto travel.

We especially deplore the situation's portent for passenger service to Texas. As you know, Amtrak has worked closely and harmoniously with the State of Texas in developing a special Week of Wheels promotional package which provides strong incentive for family pleasure travel to Texas from the important Midwestern corridor. Week of Wheels puts a rental car at the disposal of families arriving in the state by train, giving them unlimited use of the vehicle for one week. Thus there is good reason for leaving the family car at home, traveling the longer distance by energy conserving rail, and still having the flexibility of an auto once in Texas.

We can't imagine a more sensible solution to the still vital need for conserving this nation's precious petroleum reserves. Yet, obviously, the President's proposal would seriously jeopardize, if not altogether eliminate, this desirable approach to conservation.

Week of Wheels, combined with other package tour plans that Amtrak has developed for the Texas market, are being aggressively promoted this year by this agency as well as by the carrier itself. The volume of rail travel to Texas is, quite candidly, still modest. But it's already showing growth because of the stimulus of imaginative marketing programs that appeal to travelers' interest in economical, as well as energy conserving, transportation. We believe that its future impact on travel to Texas can well be of major economic significance.

Please continue your laudable determination to insure an uninterrupted implementation of the Congressional mandate to provide American citizens the alternative of economical, energy conservative, rail travel.

Every good wish,

FRANK HILDEBRAND,
Executive Director.

BROOKLYN, N.Y.,
February 1, 1976.

Hon. FRED ROONEY,
Chairman, Subcommittee for Transportation and Commerce, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN ROONEY: I telephoned your office last week and requested time to be heard during the Amtrak Oversight Hearings. I was informed by a member of your staff that the witness schedule was already filled and that if I submitted a written statement it would be made part of the hearing record. I was also told that I would be placed on a mailing list to be informed of future hearings on Amtrak.

I have been concerned about the Amtrak situation for about a year, and I have spent a considerable amount of time doing research on this matter. I am presently involved with a group of citizens which is being formed to fight further subsidies to Amtrak. We feel that the vast majority of Americans who do not ride Amtrak have a need to be heard. However, since the group is still in its formative stages the opinions expressed here are my own.

As you know, Amtrak was created by Congress in 1971 as an attempt to rescue rail passenger service from its long decline. It was created largely in response to pressure from a group of some 6,000 "railfans" known as the National Association of Railroad Passengers. Supporters hoped that improved rail service would save energy and alleviate highway congestion.

According to the legislation which created Amtrak, its goals were: to provide modern, safer intercity rail passenger service; to develop and maintain an integrated, national rail passenger system; to help end highway and railroad congestion; and to operate on a "for profit basis".

The record shows that, despite the fact that Amtrak had its choice of the "cream" of rail passenger routes and equipment, it has been a dismal failure. Interstate Commerce Commission hearings throughout the country revealed repeated failures to provide heat, air conditioning, and common courtesy. Amtrak's President responded by demanding that the hearings be ended since they were causing bad publicity. Amtrak tried to solve the problem of late trains by changing its definition of lateness.

It is impossible to calculate the total cost of Amtrak to the taxpayer. When the Corporation began business in 1971, its supporters convinced Congress to allot \$40 million in our tax funds and \$100 million in loans guaranteed by our taxes. Interestingly, the National Association of Railroad Passengers invested not one cent. Amtrak soon ran off track financially. By the end of 1974, Amtrak had received \$498,375,000 in direct subsidies. Amtrak is unable to generate the revenue to pay the \$900,000,000 in loans guaranteed by Federal taxpayers. We are subsidizing Amtrak passengers at the rate of about \$1.00 for every \$1.00 in fare they pay. Amtrak competes most directly with private bus companies. This unfair competition decreases their profits and the amount of taxes they pay. If the prices we pay for automobiles had increased at the rate that we subsidize Amtrak riders, a compact car would now sell for about \$30,000.

Perhaps one key to why Amtrak is losing so much is their "business-like thinking" which has lead them to buy additional equipment since they are currently operating at 45% of capacity. They must enjoy using our tax money to indulge their fantasies.

Amtrak has failed to save fuel or help the environment as its supporters hoped it would. Amtrak trains use more fuel per passenger mile than non-subsidized buses. In addition, it has spent millions of dollars of its subsidies encouraging unnecessary vacation travel, and still more millions of dollars on uncompetitive "promotional" fares, which have taken passengers away from more efficient taxpaying carriers.

I know of no one who is opposed to good inter-city passenger service. Its users should be, and are willing to pay for it. It doesn't need 100% taxpayer subsidies. Such service is provided by Auto Train, which during a recent period operated its Louisville-Florida route at 92% of capacity. The Initial Decision in the Interstate Commerce Commission's Ex Parte Case No. 277 on the Adequacy of Intercity Rail Passenger Service states that the area served by the Southern Railroad has fared better in the past four years than it would have if it had been served by Amtrak.

Amtrak was perhaps a noble experiment. We seem to have difficulty, in this country, stopping the flow of Federal tax money to programs which fail. This leads to inflation, high taxes and lack of funds for essential programs.

I am suggesting the following legislative changes:

1. That Amtrak subsidies be phased out over a two year period, so that the system becomes self-supporting in accordance with both the intent and the language of the present law. This proposal mandates the rapid elimination of unused service which is costly in both dollars and energy.

2. That Amtrak be required to state in all its advertising and post at each station and on each train the percentage of its budget that is coming from government funds, so that travelers who prefer not to use subsidized transportation are given this choice.

3. That the law be amended to end prohibition of private competition with Amtrak.

Thank you for your attention.

Sincerely Yours,

Robert Douglas
ROBERT DOUGLAS.

TRANSPORTATION ASSOCIATION OF AMERICA,
Washington, D.C., February 2, 1976.

HON. FRED B. ROONEY,

Chairman, Subcommittee on Transportation and Commerce, Committee on Interstate and Foreign Commerce, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I understand that your Subcommittee has scheduled hearing on February 3-4 concerning the criteria for route and schedule changes of the National Railroad Passenger Corp. (Amtrak).

This question is of serious concern to the Transportation Association of America and its members. TAA believes that public interest requires that realistic economic criteria be employed in this decision-making process.

TAA is a national non-profit organization whose membership includes not only carriers of all modes of transportation (air, motor, rail, water, pipeline and freight forwarder), but also users of the services of those carriers and investors in the transportation industry. The purpose of TAA is to act as a forum wherein the diverse views of these several interests may be reconciled on issues of major transportation importance for the good of the industry as a whole. A list of the Board of Directors is enclosed for your information.

At a recent meeting of the TAA Board of Directors, the following policy statement was adopted, with the concurrence of all of the membership groups listed above, relative to this question; "Amtrak's railroad passenger train service competes with the passenger services of private enterprise. To assure fairness of such competition, the addition, improvement or discontinuance of Amtrak service should be governed by realistic economic criteria. Authorization of funds for Amtrak should require revenue standards and other economic criteria under which the Secretary of Transportation would determine the extent to which particular Amtrak service should be instituted, improved or eliminated."

According to recent reports, as present the federal government is subsidizing Amtrak service in the amount of at least 5¢ per passenger-mile. Subsidies of this magnitude point strongly to the conclusion that serious problems exist in the present route structures which result in an inability of Amtrak to even approach returning its operating costs. In our view this subjects private-enterprise passenger carriers to unfair and unreasonable competitive pressures and deprives them of needed traffic by virtue of government subsidization of economically unjustifiable Amtrak routes. Furthermore, any environmental and/or energy-efficiency benefits which may be sought are eroded by the poor load factors realized by Amtrak on these operations.

For these reasons, we strongly urge that your Subcommittee carefully scrutinize proposed criteria for future Amtrak routing decisions to ensure that such decisions be made in consonance with sound economic principles.

Thank you very much for your attention and courtesy. I would like to request that this letter be made a part of the permanent record of the hearings on this subject.

Sincerely,

PAUL J. TIERNEY.

Enclosure.

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Akron, Ohio

NEW YORK STATE DEPARTMENT OF TRANSPORTATION,
Albany, N.Y., March 8, 1976.

HON. FRED B. ROONEY,

Chairman, House Subcommittee on Transportation and Commerce, U.S. House of Representatives, Washington, D.C.

DEAR MR. ROONEY: It has been brought to my attention that the House Subcommittee on Transportation and Commerce held hearings February 3 and 4 to discuss the Criteria and Procedures for Making Route and Service Decisions prepared by Amtrak in compliance with the Amtrak Improvement Act of 1975.

I am enclosing testimony which I prepared, at the request of Senator Magnuson, for a Senate hearing held March 4 on this matter and on the future role of the Federal Government with respect to Amtrak. While the subject matter was somewhat broader, I respectfully request that you accept this testimony and give my comments on the Criteria and Procedures your careful consideration.

Sincerely,

Ray Schuler
RAYMOND T. SCHULER,
Commissioner.

STATEMENT OF COMMISSIONER RAYMOND T. SCHULER,
NEW YORK STATE DEPARTMENT OF TRANSPORTATION

Congress charged Amtrak, as one of its primary missions to operate efficiently on a for profit basis. To do so, Amtrak must have a modern, fast, reliable service. Equally important, it must have the ability to reduce or eliminate service which results in the greatest losses and increase or add service in areas where the potential for profit is greatest. Congress recognized this by giving Amtrak's Board of Directors, for the first time, the responsibility for making service and route decisions. No one is more capable of making these decisions than Amtrak.

One basic problem with our intercity passenger system in the past is that we lacked adequate criteria to evaluate service justification and expansion needs. As a result, route decisions were not based upon sound economic analyses, nor for that matter were they made for social or environmental reasons. The need to adopt criteria and procedures for making route and service decisions has been painfully evident to us for a long time.

By and large, I am pleased with the criteria that Amtrak has established. Economic criteria are given emphasis, which is as it should be since Amtrak has been charged to operate on a for profit basis although it should be realized that rail service should not be expected to stand on its revenues alone. I note also, that more than one economic measurement is proposed as a means of evaluating service. This too, is desirable. In the past, revenue passenger miles appeared to be used almost exclusively to determine the profitability of a line. This totally overlooked the fact the some of the routes with the most favorable revenue passenger miles indeed produced the greatest losses for Amtrak overall. Amtrak has to make certain that those lines that actually contribute the most revenue to the system, as well as those with the greatest potential for producing revenue are secure. These lines tend to be only those serving short-to-medium distance trips of 100 to 300 miles in length.

The one basic flaw in the procedure proposed by Amtrak is the almost total disregard for the states and their role for providing an adequate transportation system to meet the needs of their people. The states have vast planning and technical resources available to assess the transportation needs of their people and Amtrak should make use of these resources early in its decision making process. For example, in Amtrak's initial efforts to gather facts on current and proposed routes and services (Step 4 of Amtrak's proposed evaluation process) the States should be called upon to contribute information they have available.

Once the president of Amtrak formulates his route recommendation (Step 6) the State, or States, to be affected by the decision, should receive official notification of the recommendation at the same time that the recommendation is presented to the Board of Directors. Further, the State or States to be effected by the decision, should be afforded opportunity to serve as ex officio

members of the Board during the ensuing decision-making process. It must be recognized that in the eyes of the citizen about to lose or gain rail passenger service, the State is held equally accountable. I know that for a fact, judging from the volume of mail I receive on Amtrak service.

The States must be made aware of the goals and objectives and the financial performance standards Amtrak is to develop as soon as they are developed. They must also have available from Amtrak continuing information relative to services being provided particularly the data used to assess lines including origin and destination information, operation costs associated with each line, the number of passengers, revenues made by each line, funds spent on advertising each line, tourist promotion and the like. Moreover, comparable data for competing modes must be available—and the Federal Government must see to it. This will enable States to evaluate the performance of their lines relative to other lines throughout the Nation. It will give the States an opportunity to develop proposals to improve ridership levels on those lines with poor showings before a recommendation to eliminate or reduce service is made. The States are in a position to determine how other transportation programs in the corridor may effect or support rail service—such as station parking, improved access routes, security at stations and lots, station relocations, provisions for the elderly and handicapped, and renewal programs in station areas. It must be recognized that the States have a mutual interest in retaining rail service in their State and they, therefore, must be given every opportunity to assist Amtrak in making the service worthwhile.

Financial contributions made by the States for improved rail passenger service must be taken into favorable account by Amtrak in assessing the incremental capital investment requirements and the return on incremental investments. Certainly those States which have spent substantial sums of money to make capital improvements to the rail system and their rail passenger service, have a right to expect continued service over the improved facility over the useful life of the improvement. They should not then be victimized by an arbitrary decision to reduce or eliminate the service.

Social and environmental considerations are also valid measurements of evaluation for route and service decisions. Congress also charged Amtrak with the mission to reduce congestion, conserve energy and preserve the environment, as well as to serve the public convenience and necessity. Amtrak established five measures to assess the social impact or route and service changes. The first is an assessment of the population served. This could be a valid criterion, but it should be applied on a population per route mile basis. If comparison were made only on total population over the route, a long-haul train simply because of the longer distance travelled, would be exposed to far greater numbers of people than a short-haul train even though the short-haul train might service in a more densely populated corridor overall. Segmentation of the routes would also present a problem. For example, there is a big difference in population served when one considers the Adirondack service as running between Albany and Montreal rather than New York and Montreal. The index of population per route mile accounts for the effect of trip distances thereby permitting a comparison that is independent of distance or segmentation.

Amtrak also selects the availability of alternative modes as a social criterion. It is quite conceivable that those lines experiencing the greatest losses would remain perpetually in the system is this is to be a social criterion. It must be recognized that travel by train may not be the most economic means of public transportation in sparsely populated areas. Quite possibly, an intercity bus service could profitably serve in such areas of low population densities, if it did not have to compete with rail service. Thus, not only should existing bus and airline service be examined, but also the potential for new service or additional service should be examined. As to the proximity of limited access highways to rail lines, this also is an inadequate measurement by itself. For example, most cities in the northeast have ready access to expressways. They may, however, have long since reached their capacity. The level of service on a two lane highway in a sparsely settled area may surpass the performance of a congested interstate route. Thus, traffic volume and capacity must also be examined. At the other end of the scale, it is conceivable that many areas of the country where population is sparse, can be served adequately by a two lane highway rather than an expressway and that furthermore, travel time in that area will

be lower than express travel time in areas of high population densities. It is not desirable to set Amtrak up as the mode to serve in corridors of poor ridership potential where we know losses will be substantial.

In addition to your consideration of the proposed criteria which Amtrak has formulated to assess routes and service, there are several other areas which merit your attention: High speed rail in corridors which show the greatest potential for profit; funds are needed to raise track standards of all Amtrak. Priority should be given to high density corridors; once these improvements are made, an adequate maintenance program for Amtrak lines is needed to protect the investments made; in corridors selected for high speed rail, track and signaling equipment improvements needed to enable high speed trains to achieve their full potential must be made; mechanisms must be developed to insure that work undertaken by States to improve trackage will not replace Federal funds but rather supplement Federal funds. This will encourage States to establish their own strong rail improvement programs as a way of achieving a level of service above Federal standards; there must be adequate funding for Section 403(b) services and a provision made for the incorporation of these 403(b) services into Amtrak's basic system once they have proven their merit; Amtrak should recognize the fact that states have a strong capability and interest in advancing elements of rail passenger improvement program. Accordingly, provision must be made for an adequate passenger station improvement program geared toward making rail travel more accessible and more attractive to potential riders. The program must recognize a state's ability to plan effectively with local community impact; Amtrak must be allowed to acquire lines, outside the Northeast Corridor, necessary for the efficient operation of its service; Amtrak should be encouraged to undertake innovative programs aimed at increasing its patronage; and track and station facilities needed for commuter rail operations must not be preempted by intercity passenger operations.

These issues deserve your utmost attention and I will address each of them in turn.

HIGH SPEED RAIL SERVICE

For rail to compete with other modes of transportation as a prime intercity people mover, it will have to be faster, more reliable and more comfortable. High speed rail, the maximization of speeds on existing facilities, has proven potential as evidenced by the experience with metroliners and, more recently, the sharp increase in ridership and revenue passenger miles in the Detroit-Chicago corridor once turboliners were put into service.

I note New York State's pleasure that Amtrak will begin turboliner service in the Empire Corridor (New York City-Albany-Buffalo) this summer. Once the service attains its full potential, which will reduce travel times by as much as one hour between New York and Albany and four hours between New York and Buffalo, we estimate a ridership of 3 million passengers a year. Moreover, half of these users will be diverted from the automobile.

New York State is prepared to make substantial investments to assist the high speed service. Amtrak is providing the equipment and, in turn, have agreed to make improvements to the track and roadbed to permit the trains to attain their top speeds—up to 125 mph. However, once these track improvements are made and the equipment is put into service, trains will only be able to travel at 79 miles per hour speeds because of the need for sophisticated, costly cab signalling equipment to insure the safety of travel at such high speeds. New York State cannot, nor should we be required to make such improvements unilaterally. Our commitment of State funds for high speed rail will depend upon a clear financial commitment from Amtrak and other appropriate federal agencies.

Federal funds to undertake improvements above the standard established by Amtrak for normal passenger operations must be made available for corridors with proven high-speed rail potential including funds for the installation of necessary safety equipment. These corridors include the Boston-New York-Washington Corridor, the Chicago-St. Louis Corridor, Chicago-Twin Cities Corridor, New York-Albany-Buffalo Corridor and the spine corridor along the West Coast.

TRACK AND ROAD BED

The Federal Government must assume the responsibility of bringing rail standards up to at least the same level they were when passenger service was taken over on May 1, 1971 by Amtrak. Railroads have not lived up to the contract requirements as to track standards and Amtrak for the costs incurred to maintain their trackage at the level required for passenger service. Trackage has drastically deteriorated. Those who are being penalized are the American taxpayers who are paying for inferior service that is less attractive to users and therefore incurring substantial deficits and the American public that is suffering with the inferior service and equipment.

An adequate amount of funds must be included in the Amtrak budget for track maintenance and improvement of lines which are to be retained by ConRail since ConRail, as recommended under the final plan, would only be expected to cover maintenance costs to the extent needed for adequate freight service.

As a result of the declining condition of trackage in the nation, some states, such as New York, have taken positive action to make extensive improvements to track and roadbed throughout their rail network. Approval by New York voters of a \$250 million rail bond act in 1974 and a separate \$30 million appropriation for rail service purposes have made it possible for New York State to accomplish many improvements to rail freight, intercity passenger and commuter services. These funds must supplement federal funds, however, *not* replace federal funds.

Track improvements carried out under the State's rail program are to be of direct benefit to both Amtrak, in its operation of passenger service, and ConRail, in its operation of freight service. States which have taken the initiative of instituting strong rail improvement programs should not now be penalized. For example, under the rail preservation program, New York State has plans to upgrade the entire Empire Corridor to 1971 standards. Some of the work has been accomplished and the remaining work is scheduled for the immediate future. This would be to the obvious advantage of ConRail, which under the Final System Plan would have had to undertake these improvements itself. Assurances for reimbursement of projects of this nature undertaken by the State must be made. Otherwise these projects could be delayed cost, if you account for inflation, as well as at a greater social cost to Amtrak unnecessarily until ConRail undertook them itself—and at a greater actual cost to Amtrak patrons who would be the ultimate ones to suffer if delays were to result.

SECTION 403(B) AMTRAK IMPROVEMENT ACT

New York State has already acted affirmatively to promote and increase the availability of rail passenger service throughout the State. As a result of New York's rail program, service was restored north of Albany to Montreal, additional trains are running in the New York-Albany corridor and through the joint participation of Amtrak, the State of Michigan and New York State, there is now daily service connecting New York City and Detroit via the Buffalo-Niagara Falls area.

Currently, rail ridership accounts for only one percent of intercity travel nationally. Opportunities for expanding Amtrak service are limited because funds to enable Amtrak to undertake expansions are so limited. Amtrak can add to the basic system under Section 403(b) and (c) of the Amtrak Improvement Act. Under Section 403(c), Amtrak must fund for a period of two years at least one experimental service each year. Under Section 403(h) any state can request Amtrak to institute additional service for which the state would share in the solely related costs and associated capital costs in excess of revenues of new Amtrak service. I am pleased to note that under the Rail Revitalization Act, Amtrak's share in the operating and capital costs of the 403(b) service has been increased to 50 percent. The provision of intercity, interstate rail passenger service is primarily a federal responsibility, not the states'. Therefore, the major financial partner in Section 403(b) service should be the Federal Government. I see this provision as a step in the right direction. Now that Amtrak is required to assume 50 percent of the costs of 403(b) service, however, appropriate adjustments in Amtrak's budget must be made to insure that the overall program does not decrease.

There is presently no provision which would enable a smooth transition of Section 403(b) service into the basic system. Although experimental trains can be brought into the basic system after a two year trial period if it can be demonstrated that the route has attracted sufficient patronage to serve the public convenience and necessity, under present legislation there is no provision for a Section 403(b) service to be added to the basic system. This must be rectified.

PASSENGER STATION IMPROVEMENTS

The evidence of an outdated mode of travel is first apparent to the rail patron at the depot. Most Amtrak stations are in sad need of repair and those which have been replaced are located at poorly accessible, obscure sites which discourage potential riders from the start.

Traditionally, airports are provided by local governments or public authorities and receive public assistance from the federal government. While bus operators have generally provided their own terminals, consolidated terminals are now increasingly being provided by public agencies. Rail passenger terminals, however, were traditionally provided by the railroads and they hark back to a different day. It shows. Airports seem to beckon travelers to their doors while in many instances rail stations frighten passengers away. The older one are now dingy, dirty and dilapidated; rail passengers even fear to leave their cars parked overnight. The new stations (if you can find them) though an improvement are often poorly accessible to urban areas making rail service for the autoless difficult if not impossible.

Amtrak has initiated a station improvement program and should be commended for that. However, the program needs to be beefed up. Stations should be attractive and more important they should be located in areas easily accessible to all. Transportation centers integrating local transit service with intercity rail passenger service, should be given serious attention as a possible means of further encouraging Amtrak ridership through increased coordination with local public transportation. To make their vital program work, Amtrak should look to the states for planning and engineering assistance wherever possible. The prospect of being stranded at an empty railroad station in a strange city with no car and no other means to get around is not an inviting situation for most people.

OWNERSHIP OF PASSENGER CORRIDORS

Until recently, Amtrak has had no reason to acquire rail lines to provide rail passenger service. Its needs could be met, more or less adequately by contracting with operating railroads to provide passenger service. With the reorganization of the Northeast railroads, it has now become necessary for Amtrak to carefully examine its own needs. Provision has been made to enable Amtrak to acquire the Northeast corridor. This provision should be extended to enable Amtrak to acquire other pieces of rail lines which will not be picked up by ConRail which is needed to improve its service. For example, the acquisition and improvement of the Schenectady-Hoffmans line would result in improved efficiencies in the Boston-Chicago service, the Empire Corridor, benefiting 400,000 riders and in the soon to be implemented high-speed rail service. It will result in significant travel time savings, direct service to the City of Schenectady and would avoid interference from freight trains on a congested line. Moreover, were Amtrak able to acquire the segment of track between Rensselaer and Post Road in New York State, the current inefficient backup movement which costs a full forty minutes in travel time for the Boston-Albany-Chicago experimental train could be rectified.

Amtrak must examine the operating efficiency of all its services and, in cases where service could be markedly improved through more direct access, Amtrak must be enabled to acquire the trackage to do so.

INNOVATIVE PROGRAMS

Amtrak's recent decision to allow Americans to purchase 2 week, 3 week and 30 day rail passes allowing unlimited travel on Amtrak's regular trains is to be commended because it is a means of introducing more people to Amtrak service and a way to encourage greater use of this energy efficient mode.

More innovative programs, such as the 30 day rail pass, and auto train for long distance rail travel, and a better marketing program must be further explored by Amtrak as a means to secure a greater ridership level.

PROTECTION OF COMMUTER RAIL SERVICES

The commuter authorities have always enjoyed priority status in conducting their service operations. They should. They serve far more people than Amtrak does in the corridors where Amtrak and commuter services both operate, and commuter service is more frequent and represents a key segment of the daily functioning of the area. Moreover, commuters depend upon service which will get them to their places of employment *on time*; indeed in many cases their jobs depend upon it. Commuter operations must not take a back seat to other rail—be it freight or passenger operations.

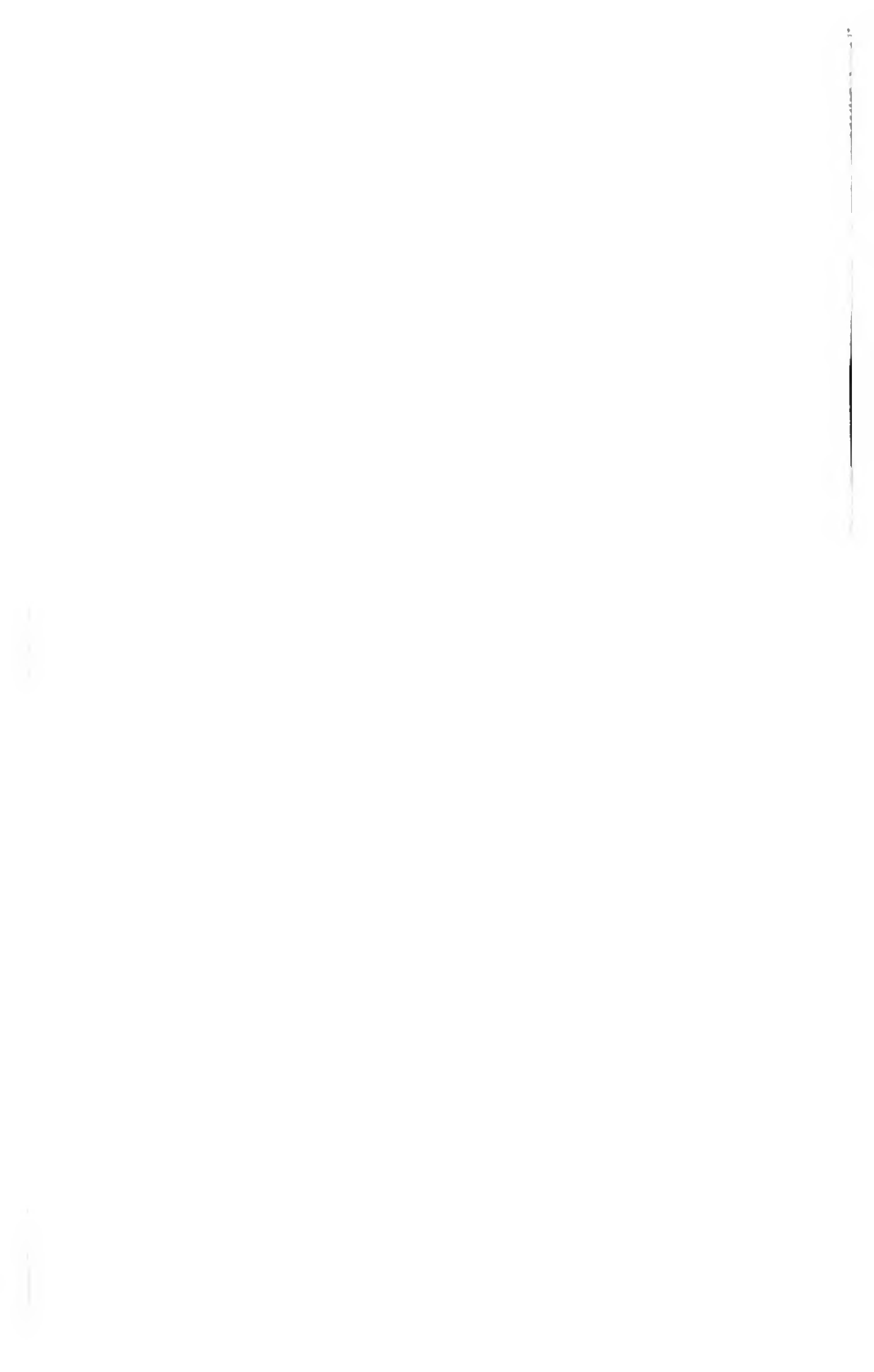
Yet we understand that this is to be the case in the Northeast corridor; the commuter authorities are being asked to assume more of the costs for using rail facilities, yet they are being asked to take a back seat to Amtrak service. I find this situation of higher operating costs, preemption of station space and platforms, etc., and poorer service an intolerable one.

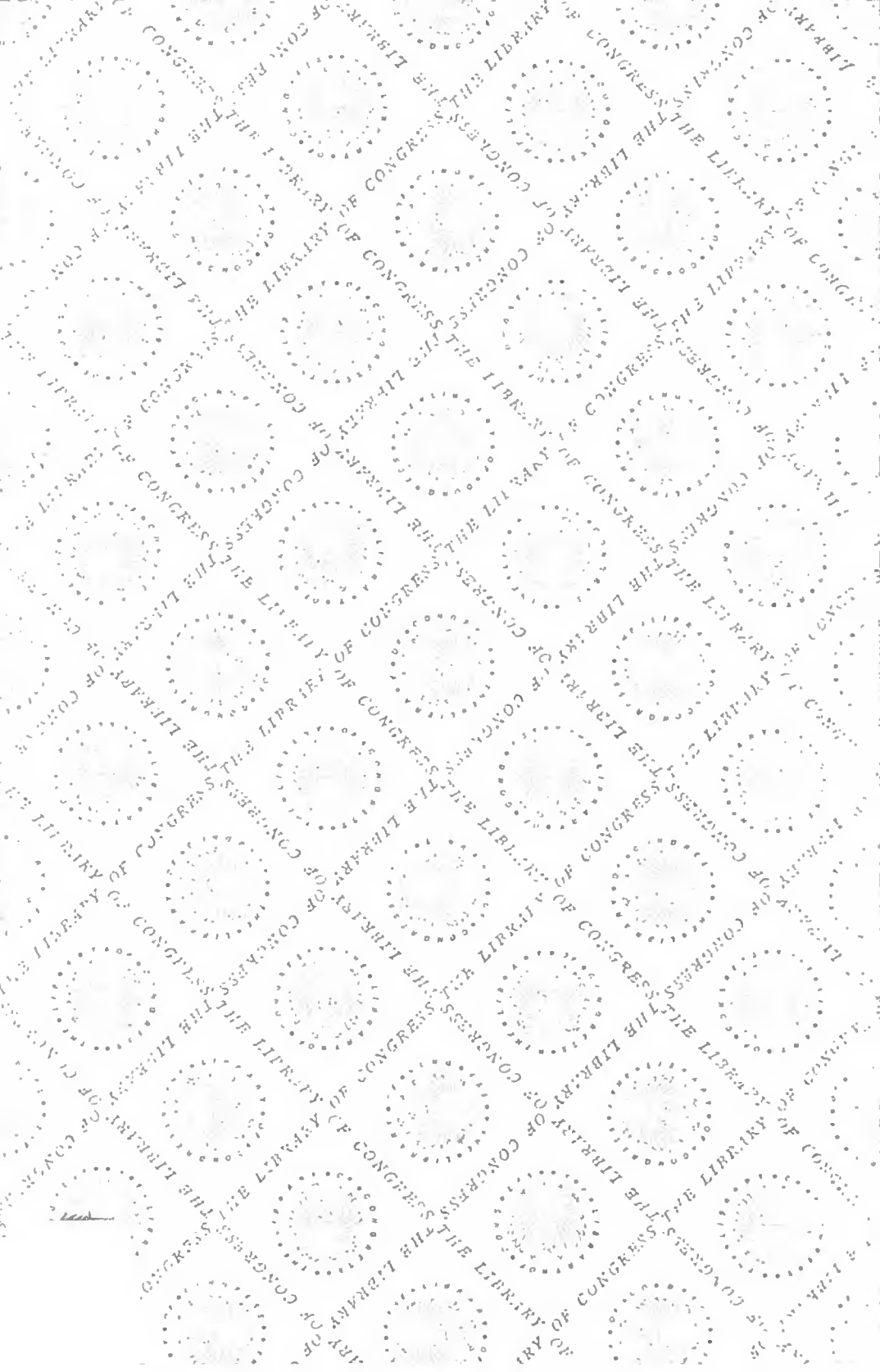
I hope that you will seriously consider the recommendations I have made. We must have a national rail passenger service and we must give it an opportunity to function as a modern mode of transportation. Amtrak must be given an opportunity to perform as any other business making decisions based on sound marketing criteria as to its own expansion needs as well as its need to reduce service. The decision is yours. We need a national rail service; it should be a service our Nation can be proud of.

[Whereupon, at 1:05 o'clock p.m. the subcommittee adjourned.]



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